



**Half-year Financial Report  
at 30 June 2010**

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**ACTELIOS S.p.A.**

Share capital Euro 67,680,000 fully paid

Direction and coordination by Falck SpA

Registered and fiscal address

20121 Milan – Corso Venezia, 16

REA Milan no. 1675378

Milan Companies Register no. 03457730962

VAT and tax code no. 03457730962

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## Company officers

### Board of directors

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Federico Falck (*)	<i>Chairman</i>
Bruno Isabella	<i>Deputy chairman</i>
Piero Manzoni (*)	<i>Managing director</i>
Marco Agostini	<i>Director</i>
Guido Corbetta	<i>Director</i>
Augusto Luigi Clerici Bagozzi	<i>Director</i>
Enrico Falck (*)	<i>Director</i>
Elisabetta Falck	<i>Director</i>
Giovanni Maria Garegnani	<i>Director</i>
Ferruccio Marchi	<i>Director</i>
Guido Rosa (*)	<i>Director</i>
Umberto Rosa	<i>Director</i>
Bernardo Rucellai	<i>Director</i>
Claudio Tatozzi	<i>Director</i>
Fabrizio Zenone	<i>Director</i>

(\*) Members of the Executive Committee

### Statutory auditors

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Roberto Bracchetti	<i>Chairman</i>
Aldo Bisioli	<i>Statutory auditor</i>
Nicola Vito Notarnicola	<i>Statutory auditor</i>
Fabio Artoni	<i>Substitute statutory auditor</i>
Massimo Foschi	<i>Substitute statutory auditor</i>

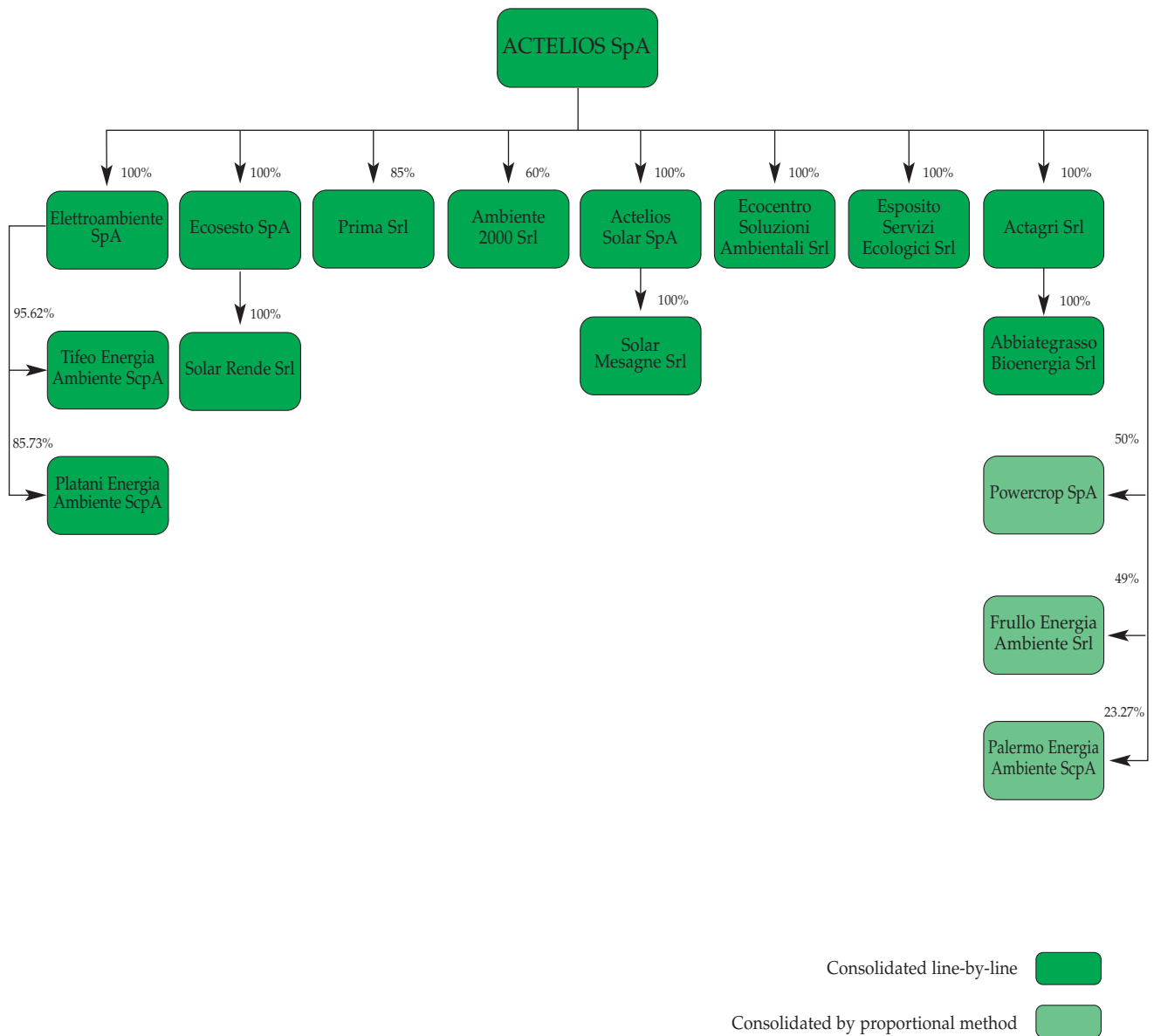
### Independent auditors

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PricewaterhouseCoopers SpA

Company powers conferred on the directors are set out on page 28.

## Group structure



Powercrop SpA is consolidated by the proportional method but falls within the scope of IFRS 5 as it is considered a disposal group in accordance with paragraph 6 and ensuing paragraphs of the above IFRS. This group was disposed of on 30 July.

## Financial highlights

<i>(Euro thousands)</i>	30.6.2010	30.6.2009	2009	2008
Revenue	43,266	48,295	94,923	97,699
Gross profit	18,870	19,035	32,826	40,977
Operating profit	12,342	13,484	18,802	32,937
Profit before income tax	10,945	11,954	16,133	32,564
Profit for the period	6,766	6,679	5,734	19,462
Profit for the period attributable to group equity holders	5,690	5,899	4,175	17,927
- Net financial (assets)/liabilities	(131,760)	(161,442)	(160,629)	(178,625)
- Non-recourse financing	56,811	72,621	65,371	79,841
Total net financial position (asset)	(74,949)	(88,821)	(95,258)	(98,784)
Total equity	349,577	350,608	349,652	354,994
Equity attributable to Actelios SpA	343,407	345,752	343,849	350,063
Equity holders equity per share (Euro)	5.074	5.109	5.081	5.172
Capital expenditure	17,251	5,060	13,687	17,905
Gross profit/revenue	43.6%	39.4%	34.6%	41.9%
Operating profit/revenue	28.5%	27.9%	19.8%	33.7%
Profit for the period/total equity	1.9%	1.9%	1.6%	5.5%
Net financial position/total equity	(0.21)	(0.25)	(0.27)	(0.28)
Total number of group employees (no.)	172	143	145	140

**Interim directors' report**



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This half-year financial report at 30 June 2010 has been prepared in accordance with article 154 ter of Legislative Decree 58/1998 and in conformance with International Financial Reporting Standards adopted by the European Union under regulation 1606/2002/EC of the European Parliament and Council dated 19 July 2002, in particular IAS 34 – Interim Financial Reporting, and the provisions issued to implement article 9 of Legislative Decree 38/2005.

The Actelios group, having prepared the half-year financial report in accordance with IAS 34, has opted to present condensed explanatory notes to the half-year financial report at 30 June 2010. The group results for the six-months ended 30 June 2010 were not affected by seasonality.

## 4.1 Group operating and financial review

### 4.1.1 Actelios group profile

The group operates in the renewable energy market.

In particular, the group's strategy is developed through the management and operation of power plants that are already operational, the installation of plants in the start-up phase and the development of new projects, either directly or through joint ventures, with leading industrial enterprises.

As the group has acquired know-how relating to plant operations, applying state-of-the-art operation and maintenance methods, it is able to complement its plant ownership activities with the above specialisation and provide a global range of services in this market.

### 4.1.2 Regulatory framework

The relevant regulatory framework is that of the Italian market for renewable energy and essentially covers the areas detailed below.

**CIP6:** based on a national law issued in 1991 and subsequent directives, the CIP6 regime introduced incentives for the generation of electrical energy from renewable sources with guarantees regarding its collection and pricing.

The CIP6 regime is differentiated according to the different energy sources, applies to an extensive period (8-20 years) and has a clear and calculable inflationary mechanism, is essential for the negotiation of project financing loan contracts and was also used to provide incentives to other projects and technology not directly linked to renewable energy.

**Green certificates:** these are attributed to the production of electrical energy from renewable sources generated after 1 April 1999. The National Grid Operator (Italian "GSE") collects the green certificates at the average price for the previous year as communicated by the electrical energy market operator (Italian "GME"). These 15 year certificates are a controlled market mechanism in determining the price of electrical energy sales and their number is dependent on the production of energy from renewable sources. These certificates may be traded on the Italian energy market.

Mechanisms were introduced in July 2010 under the 2010 Italian Finance Act that may have an impact on the renewable energy sector. The budget foresees a rationalisation of the GSE's spending on excess Green Certificates (GC's) that it is required to collect. In real terms the budget requires a 30% cut on overall spending by the GSE on excess GC's; at least 80% of this decrease must come from a reduction in the current levels of excess GC's.

The company is not currently in a position to estimate any significant impact that this may have on tariffs.

**Energy account:** the electrical energy generated by photovoltaic plants is awarded tariffs that are incentivised and differentiated according to whether they are produced by non-integrated, partially or fully integrated plants. The tariffs are set for a 20 year period starting from the date operations commence and are not adjusted for inflation over this entire period. With regard to plants that will commence operations in 2009 and 2010 a progressive 2% reduction is applied to the tariff. New decrees will be issued in order to determine the new tariffs applicable to periods after 2010.

#### 4.1.3 Performance

The financial performance of the group is summarised below:

<i>(Euro thousands)</i>	<b>30.6.2010</b>	<b>30.6.2009</b>	<b>31.12.2009</b>
Revenue	43,266	48,295	94,923
Cost of sales	(24,396)	(29,260)	(62,097)
<b>Gross profit</b>	<b>18,870</b>	<b>19,035</b>	<b>32,826</b>
<b>Operating profit</b>	<b>12,342</b>	<b>13,484</b>	<b>18,802</b>
<b>Profit before income tax</b>	<b>10,945</b>	<b>11,954</b>	<b>16,133</b>
<b>Profit for the period</b>	<b>6,766</b>	<b>6,679</b>	<b>5,734</b>
<b>Profit attributable to equity holders of the company</b>	<b>5,690</b>	<b>5,899</b>	<b>4,175</b>
Invested capital net of provisions	274,628	261,787	254,394
Total equity	349,577	350,608	349,652
<b>Net financial position (asset)</b>	<b>(74,949)</b>	<b>(88,821)</b>	<b>(95,258)</b>
of which non-recourse financing	56,811	72,621	65,371
<b>Capital expenditure</b>	<b>17,251</b>	<b>5,060</b>	<b>13,687</b>
Group employees at end of period	(no.) 172	143	145
Ordinary shares	(no.) 67,680,000	67,680,000	67,680,000

**Revenue** decreased by Euro 5,029 thousand compared to the first half of 2009. This half-year reflects the decreased revenue generated by the biomass plant in Rende as it operated at reduced capacity in the first 4 months of the year and in April was closed to undergo full renovation that will allow it to benefit from the green certificates programme for a further 15 years. The strong performance of the Trezzo sull'Adda and Granarolo dell'Emilia waste to energy plants partially offset the fall in revenue of the Rende plant.

Revenue for the half-year compared to the same period in 2009 may be analysed by category as follows:

<i>(Euro thousands)</i>	<b>30.6.2010</b>	<b>%</b>	<b>30.6.2009</b>	<b>%</b>
Sale of electrical energy	26,240	61	30,817	64
Sale of agricultural produce	452	1	21	0
Waste treatment and disposal	13,602	31	13,033	27
Operation of waste to energy (WTE) plants	2,044	5	1,797	4
Other services	928	2	2,627	5
<b>Total</b>	<b>43,266</b>	<b>100</b>	<b>48,295</b>	<b>100</b>

The fall in revenue, which was partially offset by a reduction in costs, affected gross profit that recorded a slight decrease (Euro 165,000) compared to the first half of 2009 and represents 43.6% of revenue (2009 - 39.4%).

**Operating profit** fell by Euro 1,142 thousand compared to 2009 and amounts to 28.5% of revenue (2009 - 27.9%).

**Profit for the period** amounted to Euro 6,766 thousand corresponding to an increase of Euro 87 thousand compared to the first half of 2009 that is principally due to a lower income tax charge and a fall in net finance costs.

Following the transition to IAS/IFRS accounting standards, adjusted EBIT, calculated by adding depreciation/amortisation to operating profit, has been adopted as a summary performance indicator. The change in adjusted EBIT is set out in the table below.

<i>(Euro thousands)</i>	<b>30 June 2010</b>	<b>30 June 2009</b>	<b>Change</b>
Adjusted EBIT	17,284	18,564	(1,280)
Adjusted EBIT/revenue %	39.9%	38.4%	1.5%

The **net financial position**, a net asset of Euro 74,949 thousand, shows a decrease of Euro 20,309 thousand compared to the balance at 31 December 2009, which is essentially due to the acquisition of Esposito Servizi Ecologici Srl and EcoCentro Soluzioni Ambientali Srl for Euro 13,500 thousand, capital expenditure during the period and dividends distributed by the parent company (Euro 5,753 thousand). The net financial position comprises non-recourse loans that amounted to Euro 56,811 thousand at 30 June 2010.

**Capital expenditure** during the period amounted to Euro 17,251 thousand and relates to the group's investment in the projects relating to the full renovation of the biomass plant in Rende (Euro 7,052 thousand), construction of the Spinasanta (Euro 3,087 thousand), Cardonita (Euro 1,791 thousand) and Sugherotorto (Euro 1,449 thousand) photovoltaic plants and the acquisition of the Notarpanaro photovoltaic plant (Euro 3,549 thousand).

#### 4.1.4 Share price performance

The performance of the Actelios SpA share price, which is listed on the Star segment, is illustrated below.

The format adopted for communications to shareholders or prospective shareholders is based on a consistent approach that is not necessarily linked to traditional presentations or road shows.

Investor relations are in fact principally based on one to one meetings and the sending of notices and information also by e mail or telephone.



Moreover, the company attends conventions and meetings to discuss financial matters that are organised by the Italian Stock Exchange, enterprises or financial institutions. In the first half of the year Actelios attended a meeting with the financial community aimed at illustrating the principal business models that affect the group covering management and strategic development of new initiatives. Even during this difficult time for the stock markets, the company has taken particular care in promoting transparency in all of its communications activities.

A communication tool that is particularly effective and of great interest to investors is the company website [www.actelios.it](http://www.actelios.it), which meets all the requirements for companies listed on the Star segment of the Italian Stock Exchange.

#### 4.1.5 Performance of group companies

The information presented below, relating to the performance of group companies included in the scope of consolidation for the 2010 half-year, has been adjusted in order to conform to International Financial Reporting Standards.

##### Actelios SpA

<i>(Euro thousands)</i>	<b>30.6.2010</b>	<b>30.6.2009</b>	<b>31.12.2009</b>
Revenue	173	55	189
Cost of sales		(233)	(289)
<b>Gross profit</b>	<b>173</b>	<b>(178)</b>	<b>(100)</b>
<b>Operating profit</b>	<b>(3,754)</b>	<b>(2,823)</b>	<b>(6,333)</b>
<b>Profit for the period before income tax</b>	<b>2,706</b>	<b>11,545</b>	<b>9,849</b>
<b>Profit for the period</b>	<b>2,949</b>	<b>11,217</b>	<b>10,240</b>
Invested capital net of provisions	99,470	98,254	99,493
Total equity	343,666	347,420	346,469
<b>Net financial position (asset)</b>	<b>(244,196)</b>	<b>(249,166)</b>	<b>(246,976)</b>
<b>Capital expenditure</b>	<b>8</b>	<b>49</b>	<b>59</b>
Employees	(no.) 29	31	33
Ordinary shares	(no.) 67,680,000	67,680,000	67,680,000

The income statement for the first half of 2010 recorded a net profit of Euro 2,949 thousand, a decrease on the profit of Euro 11,217 thousand for the same period last year. This change is largely due to dividends of Euro 7,091 thousand recorded in the half-year, in respect of Prima Srl (Euro 4,250 thousand) and Frullo Energia Ambiente Srl (Euro 2,940 thousand), while the corresponding amount in 2009 totalled Euro 11,176 thousand. The result for the current half-year includes the impairment loss (Euro 3,647 thousand) recognised against the investment in Powercrop SpA, in order to reflect the selling price agreed with the buyer Seci Energia in relation to the disposal that took place on 30 July 2010.

The net financial position, an asset of Euro 244,196 thousand, shows a decrease of Euro 2,780 thousand compared to 31 December 2009, which is largely due to dividends paid (Euro 5,753 thousand).

The total number of employees at 30 June 2010 was 29, comprising 7 managers and 22 white-collar staff and represents a fall of 2 compared to the total at 31 December 2009.

##### Ecosesto SpA

The company owns a biomass power plant and also operates in other environmental management activities. The plant was shut down at the end of April so that it may undergo a total renovation that will allow it to take part in the green certificates scheme for the next 15 years. The new plant is expected to commence operations in January 2011.

The income statement for the six months ended 30 June 2010 presents a net loss of Euro 476 thousand, against revenue of Euro 4,540 thousand, while capital expenditure amounted to Euro 7,052 thousand.

The net financial position at 30 June 2010 was a net indebtedness of Euro 15,311 thousand.

##### Prima Srl

The company, 85% owned by Actelios SpA and the owner of the WTE plant in Trezzo sull'Adda, recorded a net profit in the first half-year of Euro 7,094 thousand and revenue of Euro 24,199 thousand. Capital expenditure in the period amounted to Euro 134 thousand. The net financial position, a total indebtedness of Euro 13,832 thousand, comprises cash and cash equivalents of Euro 10,695 thousand that are subject to restrictions imposed by the project financing contracts, bank loans for project financing of Euro 22,820 thousand, net of Euro 237 thousand relating to the application of the amortised cost method to the costs of raising this finance and shareholders' loans of Euro 1,118 thousand. Moreover, the net financial position includes charges of Euro 589 thousand relating to the fair value measurement of derivative financial instruments entered into to hedge project financing contracts (interest rate swaps - IRS - to render variable rates fixed).

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### **Ambiente 2000 Srl**

The main activities of this company, which is 60% owned by Actelios SpA, include the operation and maintenance of the WTE plants in Trezzo sull'Adda (MI) and Fusina (VE). It recorded a net profit to 30 June 2010 of Euro 236 thousand and total revenue of Euro 5,134 thousand. The net financial position was an asset of Euro 2,015 thousand.

### **Elettroambiente SpA**

This company holds a controlling interest in two consortium enterprises: Platani Energia Ambiente ScpA and Tifeo Energia Ambiente ScpA. Each enterprise owns an industrial project aimed at the construction and operation of an integrated waste treatment and electrical energy production system with installed capacities of 30 and 50 MW respectively, which benefit from the CIP 6/92 tariffs.

Elettroambiente recorded a net loss for the six-month period of Euro 732 thousand and revenue of Euro 4 thousand. The net financial position was a total indebtedness of Euro 42,520 thousand.

### **Actelios Solar SpA**

This company operates in the segment involved in the production of electrical energy by photovoltaic plants. It owns three projects relating to the construction and operation of the following photovoltaic plants:

- the Spinasanta (CT) plant with an installed capacity of 5.99 MW
- the Cardonita (EN) plant with an installed capacity of 3.78 MW
- the Sugherotorto (RG) plant with an installed capacity of 3.28 MW.

It closed the half-year with a loss of Euro 101 thousand and Euro 334 thousand of revenue. Capital expenditure on the three plants under construction totalled Euro 6,327 thousand. The net financial position was a net indebtedness of Euro 4,614 thousand.

### **Solar Rende Srl**

This company, which at 30 June 2010 was wholly owned by Ecosesto SpA, was incorporated with registered offices in Rende (CS) in order to develop and construct new initiatives in the photovoltaic power plant sector in Calabria. It closed the first half of 2010 with a loss of Euro 17 thousand and no revenue as it is still in the start-up phase. The net financial position was a net asset of Euro 30 thousand.

### **Solar Mesagne Srl**

This company, which at 30 June 2010 was 100% owned by Actelios Solar SpA, was incorporated with registered offices in Brindisi with the purpose of developing and constructing new initiatives in the photovoltaic power plant sector in Puglia. The company operates in the segment for the production of electrical energy by photovoltaic plants through the La Calce 1 MW plant in Mesagne (BR), which was acquired in November 2009 and the Notarpanaro 1 MW plant also located in Mesagne that was purchased at the end of June 2010. It closed the first half-year with a loss of Euro 34 thousand and revenue of Euro 463 thousand. Capital expenditure in the period amounted to Euro 3,549 thousand that comprises Euro 3,489 thousand for the acquisition of the Notarpanaro plant. The net financial position was a net indebtedness of Euro 6,298 thousand.

### **Actagri Srl**

This company operates in the production of electrical energy using biogas generated by the farming and animal breeding industries.

It closed the half-year with a loss of Euro 162 thousand and almost no revenue. The net financial position was a net asset of Euro 161 thousand.

### **Abbiategrasso Bioenergia Srl**

This company is 100% owned by Actagri Srl and holds the single authorisation relating to the construction and operation of a 1 MW biogas plant located in the town council of Abbiategrasso (MI). The first half of 2010 closed with a loss of Euro 73 thousand and revenue of Euro 108 thousand. The net financial position was a net asset of Euro 10 thousand.

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### **Ecocentro Soluzioni Ambientali Srl**

This company manages a plant in Gorle (BG) that operates in the storage, treatment, recovery and disposal of solid or liquid non-hazardous waste collected mainly from motorway cleaning and land reclamation. It was acquired on 21 June 2010, following the authorisations' transfer that took effect from 1 June 2010. The financial results of Ecocentro Soluzioni Ambientali have been consolidated by Actelios from 1 June 2010, consequently only one month's profit of Euro 48 thousand and revenue for June of Euro 415 thousand are reflected. The net financial position was a net indebtedness of Euro 8,949 thousand.

### **Esposito Servizi Ecologici Srl**

This company, also located in Gorle (BG), operates in the waste management segment and offers its customers (industrial and commercial enterprises and artisans) a 360 degree service including the collection, transport, storage and disposal of various types of waste. It was acquired on 21 June 2010, following the authorisations' transfer that took effect from 1 June 2010. The financial results of Esposito Servizi Ecologici have been consolidated by Actelios from 1 June 2010, consequently only one month's profit of Euro 2 thousand and revenue for June of Euro 602 thousand are reflected. The net financial position was a net indebtedness of Euro 3,782 thousand.

### **Platani Energia Ambiente ScpA**

This enterprise, which is engaged in the construction and operation of an integrated waste system for the treatment of the residual portion of urban waste, after separation of recyclable materials, in the Agrigento basin and the production of electrical energy with an installed capacity of 30 MW that benefits from CIP 6/92 tariffs, closed the half-year with a loss of Euro 283 thousand and no revenue. The result reflects all costs incurred on the project, as commencing 1 October 2009 project capital expenditure is no longer capitalised. The net financial position was a total indebtedness of Euro 14,869 thousand.

### **Tifeo Energia Ambiente ScpA**

This company, which is dedicated to the construction and operation of an integrated waste system for the treatment of the residual portion of urban waste, after separation of recyclable materials, in the Augusta basin and for the production of electrical energy with an installed capacity of 50 MW that benefits from CIP 6/92 tariffs, closed the half-year with a loss of Euro 517 thousand and no revenue. The result reflects all costs incurred on the project, as commencing 1 October 2009 project capital expenditure is no longer capitalised. The net financial position was a total indebtedness of Euro 19,280 thousand.

The information provided below in respect of the following companies relates to 100% of their results.

### **Fruzzo Energia Ambiente Srl**

This company, set up as a joint venture between Hera SpA (51%) and Actelios SpA (49%), is responsible for the operation of the WTE plant in Granarolo dell'Emilia (Bologna), which has installed capacity of 20 MW that falls within CIP6/92 tariffs.

The company recorded a net profit of Euro 7,177 thousand for the first half-year and revenue of Euro 26,140 thousand. Capital expenditure amounted to Euro 367 thousand.

The net financial position, a total indebtedness of Euro 61,865 thousand, comprises cash and cash equivalents of Euro 10,818 thousand, bank loans for non-recourse financing of Euro 69,369 thousand, net of Euro 173 thousand arising from application of the amortised cost method to the cost incurred in raising this finance. Moreover, the net financial position comprises charges of Euro 3,314 thousand relating to the fair value measurement of derivative instruments to hedge non-recourse financing (IRS – to render variable rates fixed).

### **Palermo Energia Ambiente ScpA**

This company, which is dedicated to the construction and operation of an integrated waste system for the treatment of the residual portion of urban waste, after separation of recyclable materials, in the Palermo and Trapani basins and the production of electrical energy with installed capacity of 62 MW that benefits from CIP

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6/92 tariffs, closed the half-year with a loss of Euro 761 thousand and no revenue. The result reflects all costs incurred on the project, as commencing 1 October 2009 project capital expenditure is no longer capitalised. The net financial position was a total indebtedness of Euro 24,729 thousand

### **Powercrop SpA**

This company, which was set up as a joint venture between Seci Impianti Srl (50%) and Actelios SpA (50%), is responsible for the redevelopment of a number of sugar refineries into plants that produce electrical energy from biomass and vegetable oils. On 23 June 2010 Actelios SpA accepted Seci Energia SpA's offer to acquire its 50% share in the company for Euro 1,965 thousand, corresponding to 50% of the company's equity at 31 March 2010.

Further details of the purchase proposal are set out in the note on Significant events after the balance sheet date. The first six months of 2010 recorded a loss of Euro 1,144 thousand and revenue of Euro 668 thousand. The net financial position was a net indebtedness of Euro 1,482 thousand.

### **Sicily litigation**

The current situation regarding the Sicily projects is detailed in full below.

1. The Italian Prime Minister issued a decree on 22 January 1999 declaring the waste management situation in Sicily to be a state of emergency and on 31 May 2009 appointed a Commissioner to manage the emergency waste situation. Subsequently the Government identified the possibility of treating the municipal waste generated in the district councils of the Sicily Region using WTE technology, as this provided the opportunity to derive combustible fuel from waste, improving the energy content of the residual fraction of waste by increasing the dry portion. Following publication of O.P.C.M. (Ordinance of the Prime Minister) 3190 of 22 March 2002, which approved, inter alia, the construction of WTE plants, the Commissioner published a notice for the stipulation of conventions with a maximum 20 year duration for the utilisation of the residual fraction of municipal waste, net of recycled waste, generated in the district councils of the Sicily Region pursuant to article 4 of O.P.C.M. 2983, replaced by article 5 of Ordinance 3190/02, with industrial operators that were able to treat the residual fraction of waste and recover energy through its use in dedicated WTE plants or industrial plants under their ownership. At this time Elettroambiente SpA, formerly part of the Enel group, together with other local and non-local companies, formed a temporary business association (ATI), in which it acted as lead agent, with the purpose of participating in invitations to tender. Enel Produzione SpA (Enel) was also a member of this ATI as it had the appropriate financial requirements not held by the other shareholders. In August 2002, Actelios joined a group, with Elettroambiente acting as lead agent, to submit a bid in relation to the above public notice for the treatment of waste through WTE for councils in the Palermo area. Subsequently Elettroambiente and Enel left the group in respect of the Palermo area and Falck SpA took over as lead agent. Under the new directive, the Commissioner published invitations to tender (9 August) that were awarded on 2 May 2003; in the same month the members of the ATI formed the special-project companies Palermo Energia Ambiente ScpA (Pea), Platani Energia Ambiente ScpA (Platani) and Tifeo Energia Ambiente ScpA (Tifeo) (hereinafter, the "Industrial Operators"). On 17 June 2003 each of these project companies executed a 20 year convention with the President of the Sicily Region (at that time the Commissioner appointed by the Italian government to manage the emergency waste situation), to utilise the residual fraction of municipal waste, net of recycling, generated in the councils of the Sicily Region as per article 4 of O.P.C.M. 2983, replaced by article 5 of Ordinance 3190/02. Also in 2003, Enel entered into an agreement with Italgest for the sale of Elettroambiente (holding company of Platani and Tifeo), and further to this Falck and Italgest executed an agreement on 5 August 2003 for the sale of Elettroambiente to Actelios. This provides a brief outline of how Actelios SpA commenced operations in Sicily from 2003 through the three special project companies, Pea (23.27% owned by Actelios), Platani (85.73% owned through Elettroambiente and subjected to direction and coordination activities by Actelios) and Tifeo (95.62% owned through Elettroambiente and subjected to direction and coordination activities by Actelios), which were incorporated to construct and manage the Integrated Systems for waste management in Sicily after recycling (the Projects).

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2. The main points of the June 2003 Conventions include the information contained in a number of attachments that summarise the key financial data and the 20 year business plan that supported the economic-financial balance of the Projects.  
For this purpose it was understood that the Industrial Operators would have benefited from the incentives attributable to the production of energy from renewable and similar sources recognised by Law 9 of 9 January 1991.  
In the period between the end of 2004 and early 2006, the Industrial Operators received all authorizations relating to the construction and management of the plants comprised in the integrated systems and those relating to emissions to the atmosphere, with work commencing officially in July 2006.
  3. A series of unforeseeable events that were beyond the liability of the Industrial Operators had a significant impact on the timing of construction work on the WTE plants and on the financial conditions of the Projects and as a consequence on the realisation of the projects themselves.  
Just as an example in February 2007 an Interministerial Decree was issued to the Industrial Operators suspending the authorisations following which work was suspended (appeals to the Regional Administrative Court (TAR) in Lazio and the judgment issued by the Council of State resulted in cancellation of the suspension decree); the 2007 Finance Act introduced significant changes to existing legislation creating uncertainty regarding the continued application of the CIP/6 incentives (it was only at the end of 2008, following the outcome of the legal proceedings undertaken by the Industrial Operators, that the plants reacquired the right to receive the CIP 6 incentives).  
The above events prevented the execution of the project financing contracts essential to the construction of the plants.
  4. With reference to the above situation, in a letter dated 21 March 2008 the Regional Department for Waste and Water (ARRA or the Administration) notified the Industrial Operators that the European Court of Justice had previously passed judgment on 18 July 2007 (case C-382/05) whereby it found that the Italian Republic had failed to fulfil its obligations regarding procurement measures as the Court regarded the Conventions as public service contracts rather than service concessions. The Industrial Operators may not be held responsible for the breach of procedures that led to signing of the Conventions. The above-mentioned letter communicated that in order to comply with this judgment a new invitation to tender would be called in order to award the service. ARRA requested the Industrial Operators to continue carrying out work despite this situation.
  5. The requirement to implement the measures established in the judgment passed by the European Court of Justice gave rise to a long and complex negotiation process between the parties in order to identify the appropriate methods and conditions required to reach a mutual solution to the Conventions. These negotiations lasted almost a year and were finalised on 28 April 2009 with the execution of an Agreement between ARRA and each of the Industrial Operators and the respective shareholders.  
More precisely it was established that: (i) in the event that no tenders were submitted in relation to the new bid, the Industrial Operators would be required to take part in a *"negotiated procedure"*, on condition that these procedures were *"carried out based on tariffs and operating conditions in line with those stipulated in the New Invitation to Tender, provided that they guarantee the economic-financial balance of the current project"* (cf. Agreement art. 3); (ii) in any event the Industrial Operators and their Shareholders would transfer the Projects, authorisations, sites and work carried out by the Industrial Operators and the Shareholders against compensation for costs incurred to be certified by an independent advisor (cf. Agreement art. 6).
  6. Invitations to tender were issued the following day (no bids were submitted). Therefore on 23 July 2009 ARRA called for a *"negotiated procedure"* applying the same terms as those of the invitation to tender using open procedures, also inviting the Industrial Operators.  
The Industrial Operators notified ARRA that they were available to meet at the same time bringing to their attention the fact that the basis for the negotiated procedure did not allow the economic-financial terms of the Conventions to be met as required under article 3 of the Agreements dated 28 April 2009:



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this was supported by an independent expert opinion (prof. Mario Massari of the Bocconi University in Milan).

7. No bids were submitted in relation to the negotiated procedure. ARRA did not reply to the numerous requests to arrange a meeting and on 11 September 2009 it unilaterally terminated both the Conventions of June 2003 and the Agreements reached on April 2009, claiming that the Industrial Operators had breached their obligations.

In October 2009 ARRA requested the insurers Zurich SpA to execute the guarantees issued by them on the request of the Industrial Operators in order to guarantee their obligations established under the Conventions.

8. On 15 October 2009 the Industrial Operators served summons against ARRA and Zurich SpA before the Civil Court in Milan requesting the court to (i) ascertain and declare that the execution of the guarantees was illegal; (ii) ascertain and declare that the Industrial Operators had not defaulted on the obligations under the Conventions dated June 2003 and the Agreements dated April 2009; (iii) ascertain and declare ARRA's breach of its obligations under the Agreements; and (iv) order ARRA to comply with the Agreements, pay all costs incurred as certified by the independent advisor and compensate for all damages already suffered and that would be suffered in future by the Industrial Operators. This action was put forward both by the Industrial Operators and the shareholders Actelios (for Pea), Falck (for Pea) and Elettroambiente (for Tifeo and Platani). Amia SpA, a shareholder of Pea, subsequently intervened in two of the proceedings, requesting admission of the claims filed under the proceedings by the plaintiffs.

Moreover the Industrial Operators filed an appeal against ARRA before the TAR in Palermo requesting the court to cancel the act which resulted in termination of the Agreements and the Conventions, ordering ARRA to compensate for all damages already suffered and that would be suffered in future. At the end of 2009 ARRA extended the authorisations relating to the construction and management of the individual plants that constitute the Integrated Systems by a further 5 years.

On 18 January 2010 the judge of the Civil Court in Milan admitted the urgent appeal filed by the Industrial Operators pursuant to art. 700 of the code of civil procedure (c.p.c.), prohibiting ARRA from enforcing the guarantee policies. With regard to the merit of the ruling, the judge, albeit a summary judgment, established that the breach by the Industrial Operators, assumed by ARRA as the basis of its decision to terminate the Conventions and the Agreements, is *prima facie* denied by ARRA in its own declarations reiterated in the Agreements of 28 April 2009. ARRA did not appeal against the interim orders issued by the Court in Milan under art. 700 c.p.c.. On 16 February 2010 the Sicily Region's Department for Energy and Public Utilities (replacing ARRA ex lege from 31 December 2009 – "the Department") joined the proceedings brought forward by the Industrial Operators with the Court in Milan, requesting dismissal of actions made by the Industrial Operators (and their shareholders), and sentencing the Industrial Operators to compensate for asserted damages that the Regional Administration had suffered as a result of the asserted breach of the Conventions (quantified as follows: Tifeo, Euro 36,656,997.65; Platani, Euro 12,898,471.19; Pea, Euro 60,685,999.31).

Zurich also joined the proceedings, requesting that ARRA's petition to execute the guarantee policies be rejected. The Industrial Operators filed a first defence brief under article 183, paragraph 6 of the c.p.c. on 8 April 2010.

A second brief was filed on 8 May 2010, where after informing the Court of the approval by the Council of the Sicily Region of Law 9/2010 relating to the reorganisation of the waste management system in Sicily, the Industrial Operators redefined their claims, at the same time requesting the intervention of a technical adviser, in relation to among other things: 1) the differences between the technical and/or financial requests between the original invitations to tender and those of 29 April 2009 with quantification of the financial consequences of the differences; 2) compliance with the economic-financial balance of the original projects under the Conventions drawn up on 17 June 2003; 3) the amount of the Industrial Operators' financial compensation (representing loss of profit) where ARRA had fulfilled its obligations under the Agreement; 4) the amount of compensation owed to the Operators under article 14.2 of the Conventions entered into on 17 June 2003.

Having reflected the approval of the New Regional Law in the second brief, the Industrial Operators

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filed a third brief on 28 May 2010 in which a detailed analysis of the impact on the Projects of the New Regional Law was provided based on an independent expert opinion. This opinion clearly demonstrates the radical changes implemented by the Regional Administration in relation to the entire strategy surrounding waste management and treatment in the town councils of the Sicily Region. Given the Department's final and irrevocable decision to no longer proceed with the Projects in accordance with the Conventions, the Industrial Operators were forced to amend, before the Court in Milan, pursuant to article 1453, second paragraph of the Italian Civil Code, the fulfillment demand presented in the original summons with the request of termination of the Agreements of 28 April 2009, due to the actions and cause of the Department. The Industrial Operators have requested compensation for damages suffered both in respect of actual damages (quantified as follows: Tifeo, Euro 55,745,013.00; Platani, Euro 37,676,745; Pea, Euro 49,555,742.00 – Actelios' share Euro 11,531,621.16) and loss of earnings (quantified as follows: Tifeo, Euro 94,100,000.00; Platani, Euro 47,800,000.00; Pea, Euro 88,800,000.00 – Actelios' share Euro 20,663,760.00). Actual damages correspond to the costs incurred on the projects while loss of earnings represents the economic return that the Industrial Operators would have earned in the event that ARRA had fulfilled the obligations defined in the Agreement.

9. In evaluating the basis on which to prepare the Half-Year Financial Report at 30 June 2010, Actelios' directors deemed it appropriate to engage the assistance of an expert in this field, as had already been done for the preparation of the separate and consolidated financial statements for the year ended 31 December 2009. An opinion was issued on 22 July 2010 regarding the consequences of the amendment to the fulfillment demand to a petition for termination, which stated that *"with regard to the financial requests made by companies in the claim, in substance the situation has not changed as a result of the amendment made to the fulfillment demand relating to the Agreement of 28 April 2009 to a petition for termination due to the actions and default of ARRA"*.
10. As already communicated to the public on 12 May 2010, all of the documentation relating to the bid made in respect of the invitation to tender in 2002 was provided to the Italian Tax Officers in respect of a tax investigation involving undisclosed parties.
11. Finally, on 18 May 2010 the Department issued notices to the Industrial Operators regarding proceedings under articles 7 and ss. of L. 241/1990 aimed at implementing measures to declare the bids submitted by the Industrial Operators as inadmissible *ab origine* based on the allegation that Altecoen Srl (the founder member, subsequently replaced, of an ATI that was awarded two of the four Integrated Systems) was to be investigated for involvement with the mafia and, according to the statement of the Administration, was linked to the companies that formed the other two temporary associations (subsequently to become the consortium enterprises) that were awarded the procedures. After having filed the motion to access the deeds/documents that form the basis of the Region's preliminary investigation (following their prior seizure by the legal authorities), a formal extension request was sent to the Administration on 16 June 2010 in relation to presentation of the observations on the content of the notices given the considerable amount of documentation being gathered. The Industrial Operators presented statements on 17 June 2010 in which they underlined the unlawfulness of the claims made by the Administration as it had been aware from the end of 2006 of Altecoen's alleged illegal actions and could have taken action on the Court of Auditors' Report (endorsed by resolution 6/2007/G of 5 April 2007) that was illustrated on 12 December 2006 in the presence of a delegate of the Board of the Sicily Region; it was noted that this information had already been taken into consideration as it was cited in the *"work of the government investigation committee on the waste cycle and the connected illegal activities, XIV Legislature – Report on the Sicily Region dated 15-12-2005"*. Given this prior knowledge it has been assumed that the Administration had considered the information presented in the Court of Auditors' Report and in the previous Government Report to be irrelevant. This is in light of the fact that, subsequent to the above information, the Sicily Region initially requested each Operator to carry out its obligations under the Conventions and subsequently entered into an Agreement to ensure the obligations could be fulfilled and finally invited the Operators to the negotiated procedures that took place in August 2009 to award the new public tender. The Industrial Operators also noted from a

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different standpoint that, with regard to Altecoen's alleged mafia connections and the applicability of Presidential Decree 252/1998 (prohibiting public tender contracts from being entered into with companies indicted under anti-mafia regulations), this law is not applicable as Altecoen always received a clean anti-mafia certification (most recently issued by the Enna Chamber of Commerce – CCIAA - on 24 May 2010), bearing in mind also that the Department's statements are not founded on criminal rulings but merely on accusations put forward by the investigating magistrates in formulating a case against the entity.

The accounting impact of the situation surrounding the Sicily Projects is illustrated in paragraph 4.1.12 and the notes to the half-year financial report.

#### **4.1.6 Review of business in the first half of 2010**

On 10 February 2010 the National Grid operator (GSE) accepted transfer of ownership of convention T02F06030807, in relation to recognition of the tariff incentives, to Solar Mesagne Srl that may now manage directly relations with GSE and benefit from the energy account for the next 20 years.

Following the total renovation of the biomass plant in Rende, on 18 February 2010 Ecosesto SpA was awarded the IAFR (Renewable Plant) status by GSE and as a consequence may participate in the Green Certificates scheme for the next 15 years commencing January 2011 when the plant is expected to resume operations.

The authorisations for the construction of the photovoltaic plants of Cardonita (4.98 MW), Spinasanta (5.99 MW) and Sugherotorto (3.27MW), situated in the provinces of Enna, Catania and Ragusa, were published in the Sicily Region's Official Gazette on 12 February, 19 February and 17 March 2010 respectively. Actelios Solar SpA holds the above-mentioned authorisations and is currently carrying out the planning and finance work for the construction of these plants.

On 19 April 2010 Actagri Srl increased its holding of 58.74% to become sole shareholder of Abbiategrasso Bioenergia Srl. This will allow the company to be fully integrated into the Actelios group and to implement actions in order to maximise the benefit of the Sole Authorisation relating to the construction and management of a 1 MW biogas plant owned by Abbiategrasso Bioenergia Srl.

The boards of directors of Falck SpA, Falck Energy SpA and Actelios SpA approved the guidelines for the Project for the Consolidation of Falck Group's renewable energy business into Actelios on 28 May 2010. This operation will give rise to the leading listed Italian group operating exclusively in the renewable energy sector and one of the main players at European level. The new business, currently present in four countries with an installed capacity of 454 MW, is expected to achieve an installed capacity of over 1,100 MW by 2014 with an estimated revenue in excess of Euro 400 million and EBITDA of more than Euro 200 million.

The Consolidation Project will involve:

- (i) A pro-rata partial demerger of Falck Energy SpA;
- (ii) A share capital increase to be carried out through a contribution in kind;
- (iii) A share capital increase through a rights issue up to a maximum of Euro 130 million.

The principal reasons that led the board of directors of Actelios to concur with this operation may be summarised as follows:

- the integration of two leading players in the renewable energy sector and the consequent strengthening of Actelios' market position at national and European level;
- the technological and geographical diversification of the project portfolio that will be managed by Actelios following integration, which will place it in a better position to grasp business opportunities;

- centralisation of the management of renewable energy activities into Actelios, allowing rationalisation of these activities in order to produce greater synergies that will have a positive impact on efficiency within the business.

The proposed de-merger will result in the integration of the Renewables group's wind energy business into Actelios that will provide immediate growth in production arising from the combination of operating plants. Following completion of the de-merger Actelios will become one of the leading European players in the renewable energy sector with an installed capacity of approximately 454 MW (of which 51% is in the UK, 31% in Italy, 11% in Spain and 7% in France).

Actelios will acquire a portfolio of projects, which are currently under development or that have already obtained authorisation to proceed with construction work in Italy, France and the UK, with a total installed capacity of more than 350 MW, more than 340 MW of which relates to the wind energy segment.

The integration is expected to produce significant growth through pipeline projects that have not yet received authorisation, which are expected to be completed over the course of the 2010-2014 business plan. In particular, the pipeline projects that Actelios will add to its portfolio following integration comprise more than 300 MW of installable capacity, more than 280 MW of which relates to the wind energy business. With regard to the projects that form the basis of the business plan, following the merger of the Renewables group's projects with those of Actelios, further benefits will derive from diversification of the risks involved with the plant planning and construction stages. The increased number of projects in the pipeline, the geographical diversification and the varying stages of progress in the authorisation process will mitigate the negative impact of any delays that may arise on authorisation procedures and will offer Actelios increased flexibility in optimising investment choices.

Actelios' growth following the merger will improve its operating efficiency and raise the possibility of securing favourable terms on the capital markets, particularly with credit institutions, thus presenting more new investment opportunities.

Concentrating the activities of the renewable energy business under one company will also benefit from a single and more efficient management of the business and provide growth in profitability by taking advantage of operating synergies. The Consolidation Project also foresees that the Falck management team currently involved in this business will be centralized with that of Actelios. Further details of the Consolidation Project are provided in the paragraph "Significant events after the balance sheet date".

Actelios SpA signed purchase contracts on 21 June 2010 to acquire the entire share capital of Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl both of which operate in urban and special non-hazardous waste disposal services. This transaction will provide further integration of the waste disposal chain, increasing the level of environmental services offered across the country. Actelios SpA also became the owner of a state of the art plant for the treatment of swept ground waste. Acquisition of the two companies, representing an investment of Euro 13,500 thousand, will increase consolidated group revenue by more than Euro 12,000 per annum.

#### 4.1.7 Employees

The number of employees at the end of the period was 172 and comprised:

<i>(Number)</i>	<b>30.6.2010</b>	<b>30.6.2009</b>	<b>31.12.2009</b>
Managers	14	16	14
White-collar staff	79	68	72
Blue-collar staff	79	59	59
<b>Total employees in consolidated entities</b>	<b>172</b>	<b>143</b>	<b>145</b>

The increase is principally due to the inclusion in the scope of consolidation of the newly acquired companies Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl, which account for 21 and 8 employees.

#### 4.1.8 Environment, health and safety

During the period the group continued its commitment to meet adequate environmental, safety and quality standards that are consistent with its mission statement, through:

- Ongoing improvements in the integration of company management procedures relating to quality, environment and safety, by taking advantage of synergies in these areas;
- Periodic training of employees in relation to health and safety in the workplace and increasing awareness regarding the protection and safeguarding of the environment while carrying out their work.

In particular, in relation to the group's principal operating subsidiaries, the situation at 30 June 2010 was as follows:

Company	Management system	Location
ACTELIOS SpA	Quality Management system UNI EN ISO 9001:2000 for services provided to group companies: Human resources, Administration and Finance, Supply, Quality, Environment and Safety. Environmental management system (UNI EN ISO 14001:2004) Safety management system (OHSAS 18001-2007)	- Head office
ECOSESTO SpA	Certified Integrated Quality and Environment system (Reference regulations: UNI EN ISO 9000:2000)	- Head office - Biomass plant in Rende - Vieste landfill
	Environmental management system UNI EN ISO 14001:2004	Biomass plant in Rende
	Safety management system OHSAS 18001	Biomass plant in Rende
AMBIENTE 2000 Srl	Integrated Quality, Environment and Safety system (Reference regulations: UNI EN ISO 9000:2000; UNI EN ISO 14001:2004 and OHSAS 18001)	- WTE plant in Trezzo sull'Adda
PRIMA Srl	Environmental management system (UNI EN ISO 14001:2004). EMAS II registration no. IT 672	- WTE plant in Trezzo sull'Adda

With regard to accidents, no employees of the Actelios group were involved in accidents in the first half of 2010. The group accident frequency and criticality rates will be calculated at the end of the second half of 2010.

#### 4.1.9 Research and development activities

Analyses relating to new technology in the field of the production of electrical energy from renewable sources continued and with regard to Powercrop SpA experimental activities continued in the agro-energy field.

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#### 4.1.10 Risks and uncertainties

##### a) Financial

###### 1. *Credit risk*

Credit risk represents both potential losses from non-settlement of receivables and the counterparty risk connected to the negotiation of other financial activities. The credit risk exposure of the Actelios group is very limited in respect of both commercial customers and financial counterparties. Firstly due to the nature of the commercial customers: almost two thirds of amounts due from third parties (not related parties) is owed by the Italian national electrical energy supplier (GSE). The degree of concentration of customers is medium-high, however these relate to customers with high credit ratings. The credit risk attributable to the counterparties with which the derivative financial instruments are negotiated is also limited as the derivatives are negotiated with primary financial institutions.

###### 2. *Liquidity risk*

The Actelios group has a group treasury department that does not use a cash pooling system but carries out netting of opposing balances through the use of specific intercompany correspondence accounts. With regard to the management of Actelios's liquidity, in accordance with the agreement between Falck SpA and Actelios SpA, Actelios transfers to Falck the liquidity not required to meet its current financial needs, and Falck undertakes to repay the liquidity, either in whole or in part, in order to meet the Actelios group's capital expenditure commitments, in line with the notice terms of the agreement. Finally, the Actelios group prepares an update of the cash flow statement and the cash budget on a monthly basis, in which the actual data for the period are supported by a summary evaluation and commentary.

###### 3. *Market risk*

The Actelios group manages interest rate risk centrally. Although it does not define in advance the maximum variable rate debt exposure, it does follow well-established procedures aimed at monitoring risk and that avoid undertaking transactions of a speculative nature. The type and suitability of hedging instruments is evaluated for each specific case in consideration of the amount of exposure and current financial market conditions.

The Actelios group uses derivative financial instruments to hedge interest rates and in particular enters into interest rate swaps (IRS) with the exclusive aim of hedging. Moreover, the derivatives held at the period-end were acquired in order to allow the debt structure to meet the covenants requested by the financial institutions in relation to the project financing. In particular, the borrowings at variable rates for these contracts are matched with opposing IRS that partially convert the borrowings from variable to fixed rates. Although these operations are entered into to hedge interest rate risk, hedge accounting is not applied to these derivative financial instruments as they do not meet the effectiveness assessment. Consequently, changes in fair value of the derivatives follow the general rule applied to trading derivatives and are charged directly to the income statement with a direct effect on the profit for the period.

##### b) Legal

The principal legal risks arising from current litigation are as follows. Details of litigation relating to the Sicily projects is set out in note 4.1.12.

###### **Ecosesto SpA**

With regard to the litigation in progress with Syntea SpA, the current status of the legal proceedings does not give cause to believe that the outcome will be dissimilar to that foreseen at the previous year end. Consequently, the existing provision (Euro 300 thousand) represents a prudent estimate of the possible outcome of this litigation.

With regard to the litigation with Edison SpA, as the arbitration proceedings were settled with the parent company Falck SpA, Ecosesto SpA is no longer liable for any further costs.

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### **Elettroambiente SpA**

Enel Produzione commenced arbitration proceedings in 2008 against Elettroambiente SpA in order to ascertain the legitimate exercise by Enel Produzione of the right to sell its holdings in Tifeo and Platani, at the same time claiming that Elettroambiente had breached its obligation to acquire these shares. Subsequent to acceptance of these claims, Enel Produzione requested that Elettroambiente pay damages of Euro 3,551 thousand.

Elettroambiente in turn responded to the claim by Enel Produzione, notifying the appointment of an arbitrator through whom it requested that the opponent's claims be rejected. At the same time it submitted a counterclaim requesting that Enel Produzione be obliged to transfer the industrial area in Augusta that was identified as the location for construction of one of the WTE plants of the project, following drainage work on the area that should be carried out at the expense of Enel Produzione.

Elettroambiente did not exercise the right to acquire the business of Enel Produzione relating to the thermoelectric plant that also comprises the land to be transferred to Tifeo Energia Ambiente for the construction of the WTE plant. Arbitration proceedings are underway to define the financial terms of the land transfer to Tifeo Energia Ambiente.

### **c) Internal and external risks**

The Actelios group is largely exposed to risks relating to the authorisation process involved with the development of its projects and the authorisations held that are necessary to continue production activities.

In order to minimise these risks the group is diversifying both the type of investment and the location of the operating plants in order to spread the risks across different businesses.

With regard to the operating plants, the risks principally relate to the activities performed by the workforce and the operation and maintenance work carried out on the owned plants or those managed by group companies, in order to ensure that they respect the requirements of the Integrated Environmental Authorisation (AIA) and authorisations issued under law.

Moreover, the renewable energy market in which the group operates is heavily regulated. As a consequence particular care must be paid in order to keep abreast of regulatory developments so that, where possible, the best implementation solutions may be adopted.

### **4.1.11 Significant events after the balance sheet date**

As part of the current reorganisation of the photovoltaic segment, Actelios SpA acquired 100% of the share capital of Solar Rende Srl and Solar Mesagne Srl from Ecosesto SpA and Actelios Solar SpA respectively on 7 July 2010.

Again in July, Actelios Solar SpA sold the Kalahori project, involving the development of a photovoltaic plant in Greece, to Actelios SpA at book value. It also sold at book value the projects relating to the wind farms in Sicily, more precisely in the areas of Naso, Sant'Agata and San Salvatore, in respect of which authorisation had not yet been received, to Solar Rende Srl, subsequently renamed Actelios Etnea Srl.

These transactions will not change the scope of consolidation as they relate to a reorganisation within the Actelios group.

In the hearings that took place on 15 July 2010 in relation to the Sicily projects, the amendment to the fulfillment demand brought forward by the companies in the previous summons to a petition for termination of the Agreement entered into on 28 April 2009 due to the actions and default of ARRA was acknowledged, specifying also that subsequent to this amendment that the joinder of all parties to the Agreement would be necessary. On this basis, the judge was requested to postpone the hearing and set a limit for the joinder of all parties, requesting, in any event, admission of the claims and preliminary motions brought forward. The public prosecutor objected to this request and asked for the intervention of a technical consultant in order to assess the damages sustained by the Department. The judge reserved pronouncement of his deci-

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sion on the petitions filed by the parties and postponed discussion to the next hearing, which has been set for 24 February 2011.

Further to the meeting of 28 May 2010, and as described in the paragraph "Review of business in the first half of 2010", on 26 July 2010 the boards of directors of Falck Energy SpA (the "Spin-off" or "Falck Energy") and Actelios SpA ("Actelios" or the "Beneficiary") approved the corporate documentation underlying the Consolidation Project to integrate the wind energy business of the Falck group into Actelios and called the respective shareholders' meeting to be held on 27 August 2010 in first call and 28 August 2010 in second call.

The boards of directors of Actelios and Falck Energy resolved to submit to the shareholders:

- (i) The project for the pro-rata partial demerger of Falck Energy into Actelios based on the respective equity values at 31 March 2010;
- (ii) The proposal to increase the share capital of Actelios to be paid through the contribution in kind of the minority shareholdings in Falck Renewables;
- (iii) The proposal to vest the board of directors of Actelios, pursuant to article 2443 of the Italian Civil Code, with the authority to increase the share capital up to a maximum of Euro 130 million, including any share premium, by way of a rights issue offered to Actelios's shareholders, to be carried out after finalization of the de-merger and contribution in kind; and
- (iv) The proposal to amend Actelios's articles of association to include the change in company name to "Falck Renewables SpA" and amendment of the rules regarding the holding of board meetings by telephone and/or video-conference.

The boards of directors of Actelios and Falck Energy confirmed the matters determined on 28 May 2010, and as such the equity value of Actelios and Falck Renewables, measured applying methods that reflect best international practice, amount to Euro 340 million and Euro 518 million respectively.

The unlevered discounted cash flow method was used to estimate these values and was consistently applied to both companies for comparison purposes.

(i) The **de-merger** project approved by the boards of directors of Actelios and Falck Energy provides for the contribution of the following assets and liabilities to Actelios (the "Spin-off elements"):

- Equity interest: an approximately 81.17% interest in the share capital of Falck Renewables.
- Liabilities: Falck Energy's Euro 44,135,102.64 million debt with Falck in connection with its equity investment in Falck Renewables.

The de-merger project foresees the issue of 74,835,407 new Actelios shares to Falck.

For the purpose of determining the shares to be issued for the de-merger, the boards of directors of Falck, sole shareholder of Falck Energy, and Actelios, were advised by Mediobanca and UniCredit Group respectively, which issued their fairness opinions to the boards on 27 and 28 May 2010.

On 21 June 2010, the Court of Milan appointed the auditors Mazars SpA to act as experts, pursuant to article 2501 *sexies* of the Italian Civil Code. The fairness opinion issued on 27 July 2010 confirmed the share exchange ratio established under the de-merger.

Following the request and nomination put forward by Actelios's independent directors, the company appointed Alessandro Solidoro, recently appointed President of the Association of Chartered Accountants of Milan, to provide a further expert opinion on the share exchange ratio of the de-merger and the value of the equity investments involved in the contribution in kind. Mr. Solidoro issued his fairness opinion on both the share exchange value and the value attributed to Falck Renewables on 23 July 2010.



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(ii) The board of directors of Actelios resolved to invite the shareholders to approve the share capital increase reserved to the minority shareholders of Falck Renewables to be settled through **contribution in kind** of shares in Falck Renewables corresponding to up to a maximum of 18.83% of share capital against issue of up to a maximum of 19,392,800 new Actelios shares corresponding to a maximum total value, including share premium, of Euro 97,545,784.

On 21 June 2010 the Court of Milan appointed the auditors Mazars SpA to act as experts, pursuant to article 2343 of the Italian Civil Code, for the purpose of issuing a sworn fairness opinion relating to the assets constituting the contribution in kind, to be made available to the public in accordance with law. This was published on 27 July 2010.

(iii) The board of directors of Actelios resolved to invite the shareholders to vest the board of directors, pursuant to article 2443 of the Italian Civil Code, with the authority to **increase the share capital** up to a maximum of Euro 130 million, inclusive of any share premium, through a rights issue offered to Actelios's shareholders. The rights issue is to be carried out following completion of the de-merger and the capital increase through contribution in kind.

The rights issue is aimed at strengthening Actelios's capital structure guaranteeing, also through long-term borrowings that are currently under negotiation, the financial flexibility required to support the level of development envisaged by the new group's consolidated business plan in relation to renewable energy with particular focus on the wind energy, waste to energy, photovoltaic and biomass sectors.

The issue price of the shares pursuant to the rights issue will be determined by Actelios's board of directors prior to the launch of the transaction, based on Actelios's share price performance, general market conditions, the economic and financial situation of Actelios and the group, as well as the market practice for transactions of a similar nature.

Falck SpA expressed its intention to subscribe to the rights issue that will enable it to maintain a stake of at least 60% in Actelios following the de-merger and capital increase through contribution in kind, assuming that the rights issue is fully taken up.

The rights issue for the remainder will be underwritten by Mediobanca and UniCredit Group, which will act as Joint Global Coordinators and Joint Bookrunners for the rights issue, and have already committed to underwrite – applying standard terms and conditions for this type of transaction – any unsubscribed shares following auction of the rights on the Italian Stock Exchange.

In light of the transactions envisaged by the Consolidation Project, as detailed in this report, no circumstances will arise whereby Actelios's shareholders may exercise the right of withdrawal.

The boards of directors of Actelios and Falck Energy resolved to call the respective shareholders' meetings to approve the Consolidation Project on 27 August 2010, in first call, and 28 August in second call.

The corporate transactions relating to the de-merger, the contribution in kind and the rights issue in favour of Actelios's shareholders are expected to be finalised by the end of the year, subject to authorisation by the competent authorities (Consob and Borsa Italiana) and depending on market conditions.

The company published and issued a prospectus prepared in accordance with articles 70 paragraph 7 and 71-bis of the Listing Rules on 13 August 2010.

On Consob's request, the company published and issued a supplement to the prospectus on 23 August 2010.

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On 29 July 2010, Actelios Solar SpA signed a project financing contract with a pool of financial institutions comprising Meliorbanca SpA – Gruppo Banca Popolare dell’Emilia Romagna–, acting as agent bank, Banca Popolare dell’Etruria e del Lazio S.C., Banca Agrileasing SpA and Cassa di Risparmio di Bolzano SpA. The loan of Euro 47 million has been secured in relation to the construction of the photovoltaic plants in Cardonita (Enna), Spinasanta (Catania), and Sugherotorto (Ragusa), representing a total installed capacity of 13.1 MW.

Following acceptance of the purchase offer made on 23 June 2010, the entire shareholding in Powercrop SpA was sold to Seci Energia SpA on 30 July 2010 for Euro 1,965 thousand, equal to Actelios’s share of Powercrop’s equity at 31 March 2010.

On 3 August 2010, the shareholders of Tifeo Energia Ambiente and Platani Energia Ambiente approved the decision to put the companies into voluntary liquidation.

#### **4.1.12 Future developments and going concern**

A fall in business is expected this year resulting in a decrease in profitability, which is largely attributable to the closure from May to December 2010 of the biomass plant in Rende in order to install the new turbine and boiler that will allow the company to benefit from the incentives under the Green Certificates scheme for the next 15 years. The second half-year results are expected to benefit from the consolidation of the two companies acquired in June, Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl.

The 2010 result will also be affected by new project development and start-up costs for the photovoltaic plants.

From a strategic point of view, following approval of the Consolidation Project described in the paragraph above on “Significant events after the balance sheet date”, at the Actelios SpA extraordinary shareholders’ meeting to be held on 27 and 28 August 2010 (first and second call), the Falck Renewables group, which operates in the wind energy segment, will become part of the Actelios group.

The situation regarding the Sicily projects is detailed in a separate paragraph above.

## **4.2 Corporate governance**

### **4.2.1 Company controls**

Actelios SpA continued to rationalise and optimise its organisation structure in order to ensure that transparency and efficiency surround the corporate governance structure.

Share capital consists entirely of ordinary shares and the significant shareholder is Falck SpA with a holding of 68.72% of share capital.

The remaining shares are owned by shareholders that own less than 2% of share capital.

The company has adopted the provisions and recommendations provided by the stock exchange regulatory and control bodies. In particular the company has implemented:

- The Code of Self Discipline
- The Code of Internal Dealing
- The Code of Conduct.

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The company is managed by a board of directors, the chairman of which acts as the company's legal representative, while the managing director and deputy chairman, in addition to being legal representatives, are also vested with the powers required to manage the business and to carry out extraordinary activities where necessary.

In accordance with the Code of Self Discipline, the board of directors set up a remuneration committee and an internal controls committee, which perform a consultative role and present recommendations.

Moreover, in accordance with the provisions of Legislative Decree 231/01, the company has adopted an Organisation and Operations Manual and has appointed a board known as the Supervisory Board, consisting of an independent director, the chairman of the board of statutory auditors and the head of internal audit of the parent company Falck SpA.

The company has also appointed an Investor Relator in order that the market may obtain and receive on a regular basis information and news regarding the company and the group.

#### **4.2.2 Related party transactions**

In accordance with Consob recommendations ( 97001574 of 20 February 1997 and 98015375 of 27 February 1998), information regarding related party transactions, as defined in IAS 24, is provided below.

The company did not carry out any unusual or uncharacteristic transactions as referred to in the Consob communications.

Actelios SpA carries out arm's length transactions of both a trade and financial nature with its parent company, subsidiaries and associates.

These transactions allow for group synergies to be achieved through the use of common services and know-how and the application of common financial policies.

In particular, the transactions relate to specific activities, details of which are provided in the notes to the financial statements and include:

- Treasury management, raising finance and issuing guarantees;
- Administrative and professional services;
- Management of common services.

The company also opted to use the consolidated tax regime and the group VAT return with its parent company Falck SpA.

#### **4.2.3 Direction and coordination activities**

In accordance with article 2497 bis, paragraph 5 of the Italian Civil Code, it is noted that Falck SpA performs direction and coordination activities with respect to Actelios SpA. The activities performed are of a commercial and financial nature as noted above, and resulted in Euro 892 thousand of finance income on liquidity invested with Falck SpA calculated applying market rates and Euro 56 thousand representing income from services performed on behalf of the parent company

The profit for the half-year also includes the costs of services performed by Falck SpA for a total Euro 1,381 thousand and finance costs of Euro 21 thousand.

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#### **4.2.4 Holding of own shares or shares in the parent company**

In accordance with article 2428, paragraph 2, point 3 of the Italian Civil Code, the company declares that at 30 June 2010 it did not hold its own shares or shares in the parent company.

#### **4.2.5 Purchase and sale of own shares or shares in the parent company**

In accordance with article 2428, paragraph 2, point 4 of the Italian Civil Code, the company declares that during the six months ended 30 June 2010 it did not purchase or sell its own shares or shares in the parent company.

#### **4.2.6 Share schemes**

The company does not currently operate employee benefit schemes through implementation of stock option plans.

On behalf of the board of directors  
The Chairman  
Federico Falck

Milan, 27 August 2010

**Condensed consolidated interim financial statements  
at 30 June 2010**

## 5.1 Consolidated balance sheet

	Note	30.6.2010		31.12.2009	
			of which related parties		of which related parties
<i>(Euro thousands)</i>					
<b>Assets</b>					
<b>A Non-current assets</b>					
1	(1)	52,678		44,963	
2	(2)	238,659		224,140	
3	(3)	11		11	
4	(4)				
5	(7)	9,348		9,990	
6	(6)	668		1,776	1,115
<b>Total</b>		<b>301,364</b>		<b>280,880</b>	
<b>B Current assets</b>					
1	(8)	3,863		4,318	
2	(5)	22,983	84	22,012	169
3	(6)	14,873	5,408	12,244	2,201
4	(4)	129,506	124,879	158,935	153,963
5					
6	(9)	18,989		20,709	
<b>Total</b>		<b>190,214</b>		<b>218,218</b>	
<b>C Non-current assets held for sale</b>		<b>9,322</b>			
<b>Total assets</b>		<b>500,900</b>		<b>499,098</b>	
<b>Liabilities</b>					
<b>D Equity</b>					
1		67,680		67,680	
2		252,390		252,257	
3		17,647		19,737	
4		5,690		4,175	
<b>Capital and reserves attributable to group equity holders</b>	(10)	<b>343,407</b>		<b>343,849</b>	
5		6,170		5,803	
<b>Total equity</b>	(10)	<b>349,577</b>		<b>349,652</b>	
<b>E Non-current liabilities</b>					
1	(13)	49,587		57,922	
2	(15)				
3		303			
4	(11)	609		1,008	
5	(12)	2,634		2,223	
<b>Total</b>		<b>53,133</b>		<b>61,153</b>	
<b>F Current liabilities</b>					
1	(14)	52,364	11,247	48,613	9,550
2	(15)	14,533	3,237	13,216	5,665
3	(16)	23,959	1,511	26,464	1,597
4					
<b>Total</b>		<b>90,856</b>		<b>88,293</b>	
<b>G Liabilities attributable to non-current assets held for sale</b>		<b>7,334</b>	<b>130</b>		
<b>Total liabilities</b>		<b>500,900</b>		<b>499,098</b>	

Related party transactions are disclosed on page 52.

## 5.2 Consolidated income statement

<i>(Euro thousands)</i>	Note	30.6.2010		30.6.2009	
			<i>of which related parties</i>		<i>of which related parties</i>
A Revenue	(17)	43,266		48,295	75
Direct labour costs	(18)	(3,852)		(3,423)	
Direct costs	(19)	(20,544)		(25,837)	
B Cost of sales		(24,396)		(29,260)	
<b>C Gross profit</b>		<b>18,870</b>		<b>19,035</b>	
Other income	(20)	878	84	984	84
Other employee costs	(18)	(2,983)		(1,777)	
Administrative expenses	(21)	(4,423)	(1,532)	(4,758)	(1,845)
<b>D Operating profit</b>		<b>12,342</b>		<b>13,484</b>	
Finance costs - net	(22)	(1,398)	871	(1,530)	1,091
Investment income	(23)	1	1		
<b>E Profit before income tax</b>		<b>10,945</b>		<b>11,954</b>	
Income tax expense	(24)	(4,179)		(5,275)	
<b>F Profit for the period</b>		<b>6,766</b>		<b>6,679</b>	
G Profit attributable to minority interest		1,076		780	
<b>H Profit attributable to group equity holders</b>		<b>5,690</b>		<b>5,899</b>	
<i>Earnings per share (Euro per share)</i>	(10)	<i>0.08</i>		<i>0.09</i>	

Related party transactions are disclosed on page 56.

## 5.3 Statement of comprehensive income

<i>(Euro thousands)</i>		30.6.2010			30.6.2009		
		Gross	Tax	Net	Gross	Tax	Net
<b>A</b>	<b>Profit for the period</b>	<b>10,945</b>	<b>(4,179)</b>	<b>6,766</b>	<b>11,954</b>	<b>(5,275)</b>	<b>6,679</b>
	<b>Other elements recognised in equity:</b>						
	(Gains)/losses reversed to income statement in respect of available-for-sale financial assets, previously recorded in net equity						
<b>B</b>	<b>(Gains)/losses reversed to income statement previously recognised in equity</b>						
	Foreign exchange differences on translation of overseas financial statements						
	Fair value adjustment of available-for-sale financial assets						
	Balance of actuarial gains/(losses) on employee benefits						
	Fair value adjustments of derivatives designated as cash flow hedges						
	Portion of other elements recorded in net equity relating to associates and joint ventures						
<b>C</b>	<b>Gains/(losses) recognised directly in equity in the period</b>						
<b>B+C</b>	<b>Total other elements recognised in equity</b>						
<b>A+B+C</b>	<b>Total recognised gains/(losses)</b>	<b>10,945</b>	<b>(4,179)</b>	<b>6,766</b>	<b>11,954</b>	<b>(5,275)</b>	<b>6,679</b>
	Attributable to:						
	- Equity holders of the parent company			5,690			5,899
	- Minority interest			1,076			780



## 5.4 Consolidated cash flow statement

	Note	30.6.2010	30.6.2009	
<i>(Euro thousands)</i>			<i>of which</i>	<i>of which</i>
			<i>related parties</i>	<i>related parties</i>
<b>Cash flows from operating activities</b>				
Profit for the period		6,766		6,679
<i>Adjusted for:</i>				
Amortisation and impairment of intangible assets		212		188
Depreciation and impairment of tangible assets		4,730		4,890
Staff leaving indemnity provision		212		194
Fair value of financial assets				
Finance income		(1,131)	(892)	(1,544)
Finance costs		2,531	21	3,074
Dividends received				149
Share of profit of equity investments				
Gain on sale of intangibles				
Profit on disposal of property, plant and equipment				
Profit on sale of investments				
Other changes		(7)		
Income tax expense (income statement)		4,180		5,275
<b>Operating profit before changes in net working capital and provisions</b>		<b>17,493</b>		<b>18,756</b>
Change in inventories		412		1,356
Change in trade receivables		(402)		(1,368)
Change in trade payables		8,009		3,607
Change in other receivables/payables		(5,100)		(11,347)
Net change in provisions		(73)		(34)
Change in employee payables - staff leaving indemnity paid during the period		(243)		(247)
<b>Cash generated from operating activities</b>		<b>20,096</b>		<b>10,723</b>
Interest paid		(1,772)		(2,265)
Tax paid		(1,165)		(3,165)
<b>Net cash generated from operating activities (1)</b>		<b>17,159</b>		<b>5,293</b>
<b>Cash flows from investing activities</b>				
Dividends received		1	1	
Proceeds from sale of property, plant and equipment				136
Proceeds from sale of intangible assets				
Proceeds from investment activities				
Purchases of intangible assets		(783)		(1,168)
Purchases of property, plant and equipment		(17,251)		(3,892)
Acquisition of investments		(13,837)		
Sale of investments				
Interest received		1,131	892	1,544
Change in scope of consolidation				1,240
<b>Net cash used in investing activities (2)</b>		<b>(30,739)</b>		<b>(3,380)</b>
<b>Cash flows from financing activities</b>				
Dividends paid		(6,503)	(3,953)	(11,052)
Proceeds from issue of ordinary share capital increase and capital contribution				(13)
Proceeds from borrowings				
Borrowings granted		29,429		11,304
New borrowings				
Repayments of borrowings		(11,066)		(11,699)
<b>Net cash (used in)/from financing activities (3)</b>		<b>11,860</b>		<b>(11,460)</b>
<b>Net (decrease)/increase in cash and cash equivalents and bank overdrafts (1+2+3)</b>		<b>(1,720)</b>		<b>(9,547)</b>
Cash and cash equivalents and bank overdrafts at 1 January		20,709		21,031
<b>Cash and cash equivalents and bank overdrafts at 30 June</b>	(9)	<b>18,989</b>		<b>11,484</b>

## 5.5 Consolidated statement of changes in equity

	Share capital	Reserves	Profit for the period	Capital and reserves attributable to group equity holders	Minority interest in equity	Total equity
<i>(Euro thousands)</i>						
<b>At 31.12.2008</b>	<b>67,680</b>	<b>264,411</b>	<b>17,927</b>	<b>350,018</b>	<b>4,976</b>	<b>354,994</b>
Appropriation of 2008 result		17,927	(17,927)			
Dividends paid		(10,152)		(10,152)	(900)	(11,052)
Other movements		(13)		(13)		(13)
Profit for the half-year to 30 June 2009			5,899	5,899	780	6,679
<b>At 30.6.2009</b>	<b>67,680</b>	<b>272,173</b>	<b>5,899</b>	<b>345,752</b>	<b>4,856</b>	<b>350,608</b>
Other movements		(179)		(179)	168	(11)
Profit for the period to 31 December 2009			(1,724)	(1,724)	779	(945)
<b>At 31.12.2009</b>	<b>67,680</b>	<b>271,994</b>	<b>4,175</b>	<b>343,849</b>	<b>5,803</b>	<b>349,652</b>
Appropriation of 2009 profit		4,175	(4,175)			
Dividends		(5,753)		(5,753)	(750)	(6,503)
Other movements		(379)		(379)	41	(338)
Profit for the half-year to 30 June 2010			5,690	5,690	1,076	6,766
Other amounts recognised in equity						
<b>At 30.6.2010</b>	<b>67,680</b>	<b>270,037</b>	<b>5,690</b>	<b>343,407</b>	<b>6,170</b>	<b>349,577</b>

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## 5.6 Notes to the condensed consolidated interim financial statements

### 5.6.1 Basis of preparation of the condensed consolidated interim financial statements

The condensed consolidated interim financial statements for the period 1 January 2010 - 30 June 2010 have been prepared in accordance with International Financial Reporting Standards (International Accounting Standards - IAS and International Financial Reporting Standards - IFRS), and the relevant interpretations (Standing Interpretations Committee – SIC and International Financial Reporting Interpretations Committee – IFRIC).

The financial statements used for consolidation purposes are those presented by the boards of directors of the individual entities, reclassified and adjusted to bring them in line with International Financial Reporting Standards and group accounting policies.

In accordance with IAS 34 "Interim financial reporting" and in order to allow full comprehension of the condensed consolidated interim financial statements at 30 June 2010 this report includes consolidated statements consistent with those presented at 31 December 2009 as follows:

· *Consolidated balance sheet*

The consolidated balance sheet is presented in sections with separate disclosure of assets and liabilities and equity. Assets and liabilities are classified in the consolidated financial statements as either current or non-current.

· *Consolidated income statement*

The consolidated income statement presents costs by function, using also the variable element of cost as a distinguishing factor.

For a better understanding of the normal results of ordinary operating, financial and tax management activities, the income statement presents the following intermediate consolidated results:

- gross profit;
- operating profit;
- profit before income tax;
- profit for the period;
- profit attributable to minority interest;
- profit attributable to equity holders of the company.

No segment reporting has been presented as the information used by management to evaluate operating results and for decision making purposes in the individual business units coincides with the economic and financial information of each legal entity.

· *Statement of comprehensive income*

The group has opted to present two separate statements, consequently this statement discloses profit for the period including income and expenses recognised directly in equity.

· *Consolidated cash flow statement*

The consolidated cash flow statement presents an analysis by areas that generate cash flows as required by International Financial Reporting Standards.

· *Consolidated statement of changes in equity*

The statement of changes in equity is presented as required by International Financial Reporting Standards with separate disclosure of the profit for the period and each item of revenue, income, cost and expense not recorded in the income statement but recognised directly in consolidated equity based on specific IAS/IFRS requirements.

The interim financial report for the six months to 30 June 2010 should be read in conjunction with the consolidated financial statements for the year ended 31 December 2009.

## 5.6.2 Consolidated entities

At 30 June 2010 the Actelios group consisted of 17 companies, of which 14 are consolidated on a line-by-line basis and 3 are consolidated applying the proportional method.

The consolidated financial statements of the Actelios group as at 30 June 2010 included the following companies:

		<b>Method of consolidation</b>
Actelios SpA	Parent company	Line-by-line
Abbiategrasso Bioenergia Srl	100% owned by Actagri Srl	Line-by-line
Actagri Srl	100% owned by Actelios SpA	Line-by-line
Actelios Solar SpA	100% owned by Actelios SpA	Line-by-line
Ambiente 2000 Srl	60% owned by Actelios SpA	Line-by-line
Ecocentro Soluzioni Ambientali Srl	100% owned by Actelios SpA	Line-by-line (*)
Ecosesto SpA	100% owned by Actelios SpA	Line-by-line
Esposito Servizi Ecologici Srl	100% owned by Actelios SpA	Line-by-line (*)
Elettroambiente SpA	100% owned by Actelios SpA	Line-by-line
Frullo Energia Ambiente Srl	49% owned by Actelios SpA	Proportional
Palermo Energia Ambiente ScpA	23.27% owned by Actelios SpA	Proportional
Platani Energia Ambiente ScpA	85.73% owned by Elettroambiente SpA	Line-by-line
Powercrop SpA	50% owned by Actelios SpA	Proportional
Prima Srl	85% owned by Actelios SpA	Line-by-line
Solar Rende Srl	100% owned by Ecosesto SpA	Line-by-line
Solar Mesagne Srl	100% owned by Actelios Solar SpA al 100%	Line-by-line
Tifeo Energia Ambiente ScpA	95.62% owned by Elettroambiente SpA	Line-by-line

(\*) Following the acquisition in June of Ecocentro Soluzioni Ambientali Srl and Esposito Servizi Ecologici Srl, one month's results of these companies have been included in the consolidated income statement for the six-months ended 30 June 2010. The full financial position of the above companies have been included in the group's consolidated financial position at 30 June 2010.

The condensed consolidated financial statements include the financial statements of the parent company Actelios SpA and all of the entities in which the former holds, either directly or indirectly, majority voting rights.

## 5.6.3 Changes in the scope of consolidation

The following companies have been included in the scope of consolidation on a line-by-line basis following acquisition of the entire respective share capitals by Actelios SpA on 21 June 2010:

- Ecocentro Soluzioni Ambientali Srl
- Esposito Servizi Ecologici Srl

The difference between acquisition cost and total equity in respect of the above companies at the date of purchase has been recognised in Intangible Assets, with the positive difference classified under the heading Concessions.

With regard to the associate Powercrop, which was consolidated under the proportional method until 31 March 2010, following Seci Energia SpA's acceptance of the offer to acquire the remaining 50% interest in Powercrop SpA on 23 June 2010 and the subsequent sale that took place on 30 July 2010, for the purpose of preparation of the Actelios group's half-year financial report, this transaction falls within the scope of IFRS 5 as it is considered a disposal group in accordance with paragraph 6 and ensuing paragraphs of the IFRS.

Consequently, Powercrop's assets and liabilities must be disclosed separately from other balance sheet assets and liabilities. Paragraph 40 of IFRS 5 does not require reclassification of previous balance sheets in line with the current balance sheet classification. This separate disclosure was only made in respect of the balance sheet values as the Powercrop disposal does not fall within the scope of discontinued operations as defined in paragraph 32 of IFRS 5.

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## 5.6.4 Principles of consolidation

The principles of consolidation and the accounting policies used in the preparation of the half-year financial report for the six months to 30 June 2010 are consistent with those applied in the consolidated financial statements for the year ended 31 December 2009 which should be referred to for further detail with the exception of the accounting policies that came into force from 1 January 2010 and are applicable to the group.

On 23 March 2010 the competent bodies of the European Union completed the harmonisation process required to endorse the amendments to the following accounting standards:

IFRS 2 "Share Based Payments": this amendment, which was available for early adoption commencing 1 July 2009, foresees that the standard should not be applied to transactions whereby an entity acquires goods as part of the net assets acquired in a business combination as defined by IFRS 3 Business Combinations or, in a combination of entities or businesses under common control, or the contribution of a business on the formation of a joint venture as defined by IAS 31 Interests in Joint Ventures.

IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations": the amendment that should be applied prospectively from 1 January 2010, clarified that IFRS 5 and the other IFRS that specifically relate to non-current assets (or disposal groups) classified as held for sale or discontinued operations, must provide all of the disclosures required for this type of asset or operation.

IFRS 8 "Operating Segments": the amendment is applicable from 1 January 2010 and requires entities to report the total assets and liabilities for each reportable segment where such amounts are regularly provided to the chief operating decision maker. This information was required in the past even where this condition was not met.

IAS 1 "Presentation of Financial Statements": from 1 January 2010 an entity is required to classify a liability as current when:

- (i) it expects to settle the liability in its normal operating cycle;
- (ii) it holds the liability primarily for the purpose of trading;
- (iii) the liability is due to be settled within twelve months after the reporting period;
- (iv) it does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

All other liabilities shall be classified as non-current.

IAS 7 "Statement of Cash Flows": the amendment is applicable from 1 January 2010 and requires that only cash flows arising from expenditure that results in a recognised asset in the statement of financial position are eligible for classification as investing activities, otherwise cash flows relating to promotional expenditure or advertising costs or employee training must be classified as operating activities.

IAS 17 "Leasing": the amendment requires that when valuing a lease contract involving land and buildings, the portion relating to the land element is considered a finance lease where the land has an indefinite economic life as in this case the significant risks and rewards associated with its use are transferred to the lessor for the contract duration. This amendment is applicable commencing 1 January 2010 and at the adoption date all land held under unexpired leases must be valued separately with retrospective recognition of any accounting impact.

IAS 36 "Impairment of Assets": the amendment, which is applicable prospectively from 1 January 2010, requires that each cash generating unit or group of cash generating units to which goodwill is allocated for the purpose of carrying out impairment testing is not larger than an operating segment determined in accordance with paragraph 5 of IFRS 8 before aggregation allowed under paragraph 12 of this IFRS on the basis of similar economic characteristics or other like elements.

IAS 38 "Intangible Assets": the revision of IFRS 3 in 2008 established that sufficient information exists to identify the fair value of an intangible asset acquired under a business combination where the asset is separable or originated from contractual or legal rights. IAS 38 was amended to reflect the revision to IFRS 3. This amendment is applicable prospectively commencing 1 January 2010.

IAS 39 "Financial Instruments: Recognition and Measurement": the amendment restricts the scope exemption set out in paragraph 2 (g) of IAS 39 for any forward contract between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date, where completion of the business combination does not depend on further actions by either party but only the lapse of a reasonable period of time. The amendment clarifies that those options (whether currently exercisable or not) that allow one of the two parties to obtain control over future events that results in the acquisition of control of an entity, fall within the scope of IAS 39.

This amendment is applicable prospectively from 1 January 2010.

The accounting policies adopted in the preparation of the 2010 half-year financial report are consistent with those adopted at the previous year-end.

### 5.6.5 Purchase Price Allocation in accordance with IFRS 3

As described in the “Review of business for the first half of 2010”, Actelios SpA acquired the entire shareholdings in Esposito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl, companies operating in the treatment of urban and special non-hazardous waste, on 21 June 2010. The balance sheet values of the acquired companies and their combined equity, adjusted to reflect the provisions of IFRS 3, which were used in the preparation of the Actelios’s group condensed consolidated interim financial statements, are presented in the table below.

	Carrying value at 31.5.2010			Recognised value at 31.5.2010
	Esposito Servizi Ecologici	Ecocentro Soluzioni Ambientali	Total at 31.5.2010	
<i>(Euro thousands)</i>				
<b>Assets</b>				
Intangible assets	1,500	6,500	8,000	9,118
Property, plant and equipment	2,728	2,675	5,403	5,403
Total non-current assets	4,228	9,175	13,403	14,521
Current receivables	3	1	4	4
Cash and cash equivalents	4	5	9	9
Total current assets	7	6	13	13
<b>Total assets</b>	<b>4,235</b>	<b>9,181</b>	<b>13,416</b>	<b>14,534</b>
<b>Liabilities</b>				
Staff leaving indemnity	373		373	373
Deferred income tax liability				306
Total non-current liabilities	373		373	679
Trade payables	19	68	87	87
Other payables	150	118	268	268
Total current liabilities	169	186	355	355
<b>Total liabilities</b>	<b>542</b>	<b>186</b>	<b>728</b>	<b>1,034</b>

## 5.6.6 Balance sheet contents and movements

### Assets

#### A Non-current assets

##### 1 Intangible assets

Movements during the period were as follows:

	At 31.12.2009	Acquisitions	Capital.n and reclass.n	Change in scope of consol.n	Disposals	Other move- ments	Impair- ment losses	Amorti- sation	At 30.6.2010
<i>(Euro thousands)</i>									
1.1 Industrial patent rights	62							(13)	49
1.2 Concessions, licences, trademarks and similar	546	290		9,118				(199)	9,755
1.3 Goodwill	40,409								40,409
1.4 Other intangibles									
1.5 Assets under construction and advances	3,946	493				(1,974)			2,465
<b>Total</b>	<b>44,963</b>	<b>783</b>		<b>9,118</b>		<b>(1,974)</b>		<b>(212)</b>	<b>52,678</b>

Acquisitions principally relate to expenditure incurred on the construction of the photovoltaic plants of Sugherotorto, Cardonita and Spinasanta, while the increase in Concessions relates to the Notarpanaro photovoltaic plant.

Goodwill principally consists of the differences arising on first time consolidation between the book value of the investments and the corresponding share of net equity of the consolidated companies that is attributable to the group. In addition, this heading includes the purchased goodwill arising on the acquisition of a business line by Frullo Energia Ambiente Srl (Euro 1,519 thousand).

Since 1 January 2005, goodwill has not been amortised but is subjected to an annual impairment test.

The goodwill resulting from business combinations has been allocated to separate cash generating units (CGU) in order to identify any impairment in value.

The cash generating units identified are:

- Prima Srl (WTE plant in Trezzo sull'Adda)
- Frullo Energia Ambiente Srl (WTE in Granarolo dell'Emilia)
- Sicily projects (WTE plant in Casteltermini) - Tifeo Energia Ambiente ScpA (WTE plant in Augusta) - Palermo Energia Ambiente ScpA (WTE plant in Bellolampo).

An impairment test is performed on goodwill at least once a year for the preparation of the financial statements at 31 December.

With regard to the Sicily projects, an impairment test was carried out following ARRA's request to terminate the Agreement. The measurement of Goodwill attributable to the Sicily projects was carried out taking into account the opinion of an independent legal expert issued on 22 July 2010 that in relation to the economic requests brought forward by the company, that in substance the situation had not changed following the amendment to the fulfillment demand made in respect of the Agreement dated 28 April 2009 to a petition for termination due to the actions and default of ARRA and that this had no repercussions on the recoverable value of the amounts recognised in the financial statements. This was also confirmed by the impairment test performed in relation to the preparation of the half-year financial report. This impairment test was performed applying the same assumptions and methods used to determine the share exchange ratio, (with regard to costs incurred, damages and the expected settlement date in 2015), for the purpose of the Project to Consolidate Falck group's renewable energy business into Actelios. A discount rate linked to the identified return of the *interest rate swap* rate at the expected settlement date, was applied to the above results. In addition to damages, the compensation described in the Agreement of 28 April 2009 was considered rather than the total loss of earnings relating to the current proceedings, as these are still in the opening stages.

Based on the above and the matters described in the directors' report, the directors confirmed the valuations made at the time of preparation of the separate and consolidated financial statements at 31 December 2009 and no impairment loss was recognised.

Goodwill at 30 June 2010 comprised:

<i>(Euro thousands)</i>	<b>Carrying value at 30.6.2010</b>
Frullo Energia Ambiente Srl	1,519
Sicily projects	29,948
Prima Srl	8,942
<b>Total</b>	<b>40,409</b>

The heading Sicily projects comprises Platani Energia Ambiente ScpA (Euro 9,565 thousand), Tifeo Energia Ambiente ScpA (Euro 19,732 thousand) and Palermo Energia Ambiente ScpA (Euro 651 thousand).

The increase of Euro 9,118 thousand in the change in scope of consolidation, relates to the difference between the purchase price and the corresponding share of net equity of Ecocentro Soluzioni Ambientali Srl and Esposito Servizi Ecologici Srl, which has been classified in Concessions.

No finance costs were allocated to intangible assets during the half-year.

## 2 Property, plant and equipment

Movements during the period were as follows:

<i>(Euro thousands)</i>	At 31.12.2009	Acquisitions (A)	Capital.n and reclass.n	Other movements	Disposals	Change in scope of consol.n	Deprec- iation	At 30.6.2010
<b>Gross value</b>								
2.1 Land	18,487	2,075		(3,331)				17,231
2.2 Buildings	6,051	25						6,076
2.3 Plant and machinery	103,285	3,610	11			3,094		110,000
2.4 Industrial and office equipment	1,040	60		(72)		1,173		2,201
2.5 Other assets	1,875	10		(2)	(2)	1,133		3,014
2.6 Assets operated under concession	92,760		1,598	2				94,360
2.7 Assets under construction and adv.	80,712	11,471	(1,609)					90,574
<b>Total gross value</b>	<b>304,210</b>	<b>17,251</b>		<b>(3,403)</b>	<b>(2)</b>	<b>5,400</b>		<b>323,456</b>
<b>Accumulated depreciation</b>								
2.1 Land								
2.2 Buildings	(3,915)						(54)	(3,969)
2.3 Plant and machinery	(37,681)						(2,132)	(39,813)
2.4 Industrial and office equipment	(521)						(68)	(589)
2.5 Other assets	(1,634)					2	(62)	(1,694)
2.6 Assets operated under concession	(36,319)						(2,413)	(38,732)
<b>Total depreciation</b>	<b>(80,070)</b>					<b>2</b>	<b>(4,729)</b>	<b>(84,797)</b>
<b>Net book amounts</b>								
2.1 Land	18,487	2,075		(3,331)				17,231
2.2 Buildings	2,136	25					(54)	2,107
2.3 Plant and machinery	65,604	3,610	11			3,094	(2,132)	70,187
2.4 Industrial and office equipment	519	60		(72)		1,173	(68)	1,612
2.5 Other assets	241	10		(2)		1,133	(62)	1,320
2.6 Assets operated under concession	56,441		1,598	2			(2,413)	55,628
2.7 Assets under construction and adv.	80,712	11,471	(1,609)					90,574
<b>Total net book amounts</b>	<b>224,140</b>	<b>17,251</b>		<b>(3,403)</b>		<b>5,400</b>	<b>(4,729)</b>	<b>238,659</b>



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A) *Additions* – these comprise:

*(Euro thousands)*

Renovation of Rende biomass plant	7,052
Notarpanaro fotovoltaic plant	3,549
Spinasanta fotovoltaic plant	3,087
Cardonita fotovoltaic plant	1,791
Sugherotorto fotovoltaic plant	1,449
Other	323
<b>Total</b>	<b>17,251</b>

Other movements relate to Powercrop SpA. As described above Powercrop is considered a disposal group and its assets have been classified in "Non-current assets held for sale".

The Change in scope of consolidation relates to Esposito Servizi Ecologici Srl and EcoCentro Soluzioni Ambientali Srl that were acquired in June 2010.

Finance costs allocated during the period to property, plant and equipment amounted to Euro 31 thousand and relate to the renovation of the Rende biomass plant.

Property, plant and equipment at 30 June 2010 does not include amounts relating to revaluations carried out in accordance with local monetary revaluation legislation or arising from economic revaluations.

### 3 Financial assets

Financial assets at 30 June 2010 may be analysed as follows:

<i>(Euro thousands)</i>	30.6.2010	31.12.2009	Change
Subsidiaries			
Associates			
Other entities	11	11	
Securities			
<b>Total</b>	<b>11</b>	<b>11</b>	

#### Equity investments

*Subsidiaries valued at cost*

The only investment included in this heading is Riesfactoring SpA, the value of which has not changed since 31 December 2009.

#### 4 Financial receivables

Financial receivables at 30 June 2010 may be analysed as follows:

	30.06.2010			31.12.2009			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
<i>(Euro thousands)</i>									
Amounts owed by third parties	4,627		4,627	4,972		4,972	(345)		(345)
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent company	124,879		124,879	153,963		153,963	(29,084)		(29,084)
Amounts owed by other group companies									
Derivative financial instruments									
<b>Total</b>	<b>129,506</b>		<b>129,506</b>	<b>158,935</b>		<b>158,935</b>	<b>(29,429)</b>		<b>(29,429)</b>

Amounts owed by third parties relate to the portion of financial receivables due from Palermo Energia Ambiente ScpA that exceeds the Actelios group holding.

The amounts owed by parent company are due from Falck SpA, which exercises direction and coordination activities in respect of Actelios SpA. An agreement is in place regarding these activities that are aimed at optimising and rationalising the financial management of Actelios SpA and Falck SpA within the Falck group, while maintaining the autonomy and managerial independence of Actelios SpA.

This agreement covers the management of Actelios SpA's non working capital liquidity, with Falck SpA undertaking to repay the liquidity required for the Actelios group's capital expenditure, in whole or in part and in line with the notice periods established in the agreement.

Actelios SpA's liquidity is invested with Falck SpA and is interest bearing at current market rates represented by Euribor +spread.

The agreement is annual and is automatically renewed in the event that it is not cancelled by one of the parties in which case there is a two month notice period.

#### 5 Trade receivables

Trade receivables at 30 June 2010 may be analysed as follows:

	30.06.2010			31.12.2009			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
<i>(Euro thousands)</i>									
Trade receivables	22,898		22,898	21,843		21,843	1,055		1,055
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent company	57		57	113		113	(56)		(56)
Amounts owed by other group companies	28		28	56		56	(28)		(28)
<b>Total</b>	<b>22,983</b>		<b>22,983</b>	<b>22,012</b>		<b>22,012</b>	<b>971</b>		<b>971</b>

An analysis of trade receivables by geographical area is not considered to be relevant as almost all customers are located in Italy. Trade receivables are disclosed net of a provision for doubtful accounts in order to adjust them to fair value. The provision for doubtful accounts amounts to Euro 451 thousand and no movements were recorded during the half-year.

## 6 Other receivables

Other receivables at 30 June 2010 consisted of the following:

	30.06.2010			31.12.2009			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
<i>(Euro thousands)</i>									
Amounts owed by third parties	1,663		1,663	494		494	1,169		1,169
Amounts owed by subsidiaries									
Amounts owed by associates									
Amounts owed by parent company	5,026		5,026	3,316	1,115	2,201	1,710	(1,115)	2,825
Amounts owed by other group companies	381		381				381		381
Advances	174		174	223		223	(49)		(49)
Tax credits	5,520		5,520	7,366		7,366	(1,846)		(1,846)
Guarantee deposits	668	668		661	661		7	7	
Accrued income and prepayments	2,109		2,109	1,960		1,960	149		149
<b>Total</b>	<b>15,541</b>	<b>668</b>	<b>14,873</b>	<b>14,020</b>	<b>1,776</b>	<b>12,244</b>	<b>1,521</b>	<b>(1,108)</b>	<b>2,629</b>

The amounts owed by parent company relate to tax income due from Falck SpA in relation to the group consolidated tax regime.

Tax credits have decreased as these comprised the VAT receivables of Powercrop SpA that have been reclassified under the heading "Non-current assets held for sale".

Accrued income and prepayments at the half-year amounted to Euro 2,109 thousand and largely relate to the one off advance on the ground lease for the land to be used by Tifeo Energia Ambiente ScpA for the construction of the WTE plant and prepayments relating to the cost of securing guarantees and insurance, royalties and maintenance.

## 7 Deferred income tax assets

Deferred income tax assets at 30 June 2010 amounted to Euro 9,348 thousand, representing a decrease of Euro 642 thousand on the balance at 31 December 2009.

Deferred income tax assets and liabilities, arising from differences between the tax bases of assets and liabilities and their IFRS financial reporting values, are only offset when there is a legally enforceable right of offset and there is an intention to settle the balances net.

Deferred tax assets have been recognised as they are considered recoverable.

## B Current assets

### 8 Inventories

Inventories at 30 June 2010 may be detailed as follows:

<i>(Euro thousands)</i>	30.6.2010	31.12.2009	Change
Raw materials and consumables	2,319	2,508	(189)
Semi-finished goods			
Work in progress	707	707	
Finished goods	837	1,103	(266)
Advances			
<b>Total</b>	<b>3,863</b>	<b>4,318</b>	<b>(455)</b>

Work in progress is disclosed gross of advances received, which are classified in liabilities.

## 9 Cash and cash equivalents

<i>(Euro thousands)</i>	<b>30.6.2010</b>	<b>31.12.2009</b>	<b>Change</b>
Short-term bank and post office deposits	18,977	20,703	(1,726)
Cash in hand	12	6	6
<b>Total</b>	<b>18,989</b>	<b>20,709</b>	<b>(1,720)</b>

Cash and cash equivalents may be detailed as follows:

<i>(Euro thousands)</i>	<b>30.6.2010</b>	<b>31.12.2009</b>	<b>Change</b>
Cash at bank and in hand	18,989	20,709	(1,720)
Bank overdrafts			
Invoice advances			
Group current accounts			
<b>Total cash and cash equivalents</b>	<b>18,989</b>	<b>20,709</b>	<b>(1,720)</b>

Cash at bank and in hand largely relates to the current accounts of Prima Srl (Euro 10,695 thousand) and Frullo Energia Ambiente Srl (Euro 5,298 thousand), account balances that must be maintained in order to meet the obligations of the project financing contracts with the financing banks.

The total also comprises the bank balances of Tifeo Energia Ambiente ScpA (Euro 964 thousand), Platani Energia Ambiente ScpA (Euro 681 thousand), Actelios SpA (Euro 496 thousand) and Ambiente 2000 Srl (Euro 402 thousand).

## C Non-current assets held for sale

“Non-current assets held for sale”, which relate to the business of Powercrop SpA, may be analysed as follows:

<i>(Euro thousands)</i>	<b>30.6.2010</b>
Intangible assets	2,442
Property, plant and equipment	3,447
Other non-current receivables	2
Deferred income tax asset	468
Inventories	1
Trade receivables	645
Other receivables	1,558
Cash and cash equivalents	759
<b>Total non-current assets held for sale</b>	<b>9,322</b>

## Liabilities

### D Equity

#### 10 Share capital

Share capital consists of 67,680,000 issued and fully paid ordinary shares, with a nominal value of Euro 1 each.

Movements in equity during 2009 and 2010 were as follows:

	Share capital	Share premium account	Monetary reval.n reserve	Other reserves				Consolid.n reserve	Retained earnings	Profit for the year	Group share of equity	Minority interest	Total
				Legal reserve ex art.54-55 Pres. Decree 917/86	Reserves	De-merger reserve	Reserve for expenses on share capital increase						
<i>(Euro thousands)</i>													
<b>At 31.12.2008</b>	<b>67,680</b>	<b>240,828</b>	<b>1,003</b>	<b>1,575</b>	<b>4,076</b>	<b>3,936</b>	<b>(3,492)</b>	<b>3,399</b>	<b>13,086</b>	<b>17,927</b>	<b>350,018</b>	<b>4,976</b>	<b>354,994</b>
Appropriation of 2008 profit of holding company to reserves				885				239	16,803	(17,927)			
Dividends distributed									(10,152)		(10,152)	(900)	(11,052)
Other movements								(192)			(192)	168	(24)
Profit for the year									4,175		4,175	1,559	5,734
<b>At 31.12.2009</b>	<b>67,680</b>	<b>240,828</b>	<b>1,003</b>	<b>2,460</b>	<b>4,076</b>	<b>3,936</b>	<b>(3,492)</b>	<b>3,446</b>	<b>19,737</b>	<b>4,175</b>	<b>343,849</b>	<b>5,803</b>	<b>349,652</b>

	Share capital	Share premium account	Monetary reval.n reserve	Other reserves				Consolid.n reserve	Retained earnings	Profit for the period	Group share of equity	Minority interest	Total
				Legal reserve ex art.54-55 Pres. Decree 917/86	Reserves	De-merger reserve	Reserve for expenses on share capital increase						
<i>(Euro thousands)</i>													
<b>At 31.12.2009</b>	<b>67,680</b>	<b>240,828</b>	<b>1,003</b>	<b>2,460</b>	<b>4,076</b>	<b>3,936</b>	<b>(3,492)</b>	<b>3,446</b>	<b>19,737</b>	<b>4,175</b>	<b>343,849</b>	<b>5,803</b>	<b>349,652</b>
Appropriation of 2009 profit of holding company to reserves				512					3,663	(4,175)			
Dividends distributed									(5,753)		(5,753)	(750)	(6,503)
Other movements								(379)			(379)	41	(338)
Profit for the period									5,690		5,690	1,076	6,766
<b>At 30.6.2010</b>	<b>67,680</b>	<b>240,828</b>	<b>1,003</b>	<b>2,972</b>	<b>4,076</b>	<b>3,936</b>	<b>(3,492)</b>	<b>3,067</b>	<b>17,647</b>	<b>5,690</b>	<b>343,407</b>	<b>6,170</b>	<b>349,577</b>

#### Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to the ordinary shareholders of the parent company by the weighted average number of ordinary shares outstanding during the period.

Basic earnings per share was calculated based on the following information:

	30.6.2010	30.6.2009
Weighted average number of ordinary shares (number)	67,680,000	67,680,000
Earnings attributable to the ordinary shareholders of the parent company (Euro thousands)	5,690	5,899
<b>Basic earnings per share (Euro per share)</b>	<b>0.084</b>	<b>0.087</b>

## 11 Provisions for other liabilities and charges

<i>(Euro thousands)</i>	At 31.12.2009	Change in scope of consolidation	Charged	Credited	Reclass.n	At 30.6.2010
<i>Provisions for pensions and similar obligations</i>						
<i>Provisions for taxation</i>						
- Current						
- Deferred income taxes						
<i>Total tax provisions</i>						
<i>Other provisions</i>						
- litigation	300					300
- investments						
- environmental	380			(74)		306
- restructuring						
- sundry provisions	328				(325)	3
<i>Total other provisions</i>	1,008			(74)	(325)	609
<b>Total</b>	<b>1,008</b>			<b>(74)</b>	<b>(325)</b>	<b>609</b>

All provisions are classified as non-current.

The *environmental provision* relates to the costs that Ecosesto SpA is required to incur at the end of utilising the landfills in order to restore environmental conditions.

The *litigation provision*, which is recognised in order to cover probable liabilities that may arise on current legal proceedings, decreased by Euro 325 thousand following the reclassification of the balance relating to Powercrop SpA to a separate heading in liabilities.

## 12 Staff leaving indemnity

<i>(Euro thousands)</i>	At 31.12.2009	Charges	Transfers/ new consol.n	Utilised/ paid	At 30.6.2010
Managers	428	64		(115)	377
White-collar staff and special cat.s	1,283	78	77	(79)	1,359
Blue-collar staff	512	70	365	(49)	898
<b>Total</b>	<b>2,223</b>	<b>212</b>	<b>442</b>	<b>(243)</b>	<b>2,634</b>

The *Trattamento di Fine Rapporto*, "TFR" (staff leaving indemnity provision), was subjected to an actuarial valuation by an independent expert as at 31 December 2009. The resulting calculation did not differ significantly from the amount provided under Italian GAAP and as a result the company did not record any adjustments.

No indicators arose during the interim period that would modify the assumptions used in performing the calculations at 31 December 2009, consequently the group has maintained the values determined for TFR applying Italian GAAP.

Transfers/new consolidation largely relates to the inclusion in the scope of consolidation of the newly acquired companies Espo-sito Servizi Ecologici Srl and Ecocentro Soluzioni Ambientali Srl.

### 13 Financial liabilities

Financial liabilities at 30 June 2010 consisted of the following:

	30.06.2010			31.12.2009			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
<i>(Euro thousands)</i>									
Due to third parties	13,011	7,529	5,482	15,640	8,163	7,477	(2,629)	(634)	(1,995)
Due to subsidiaries									
Due to associates									
Due to parent company	1,511		1,511	1,597		1,597	(86)		(86)
Due to other group companies									
Project financing	56,811	39,845	16,966	65,371	47,981	17,390	(8,560)	(8,136)	(424)
Derivative financial instruments	2,213	2,213		1,778	1,778		435	435	
<b>Total</b>	<b>73,546</b>	<b>49,587</b>	<b>23,959</b>	<b>84,386</b>	<b>57,922</b>	<b>26,464</b>	<b>(10,840)</b>	<b>(8,335)</b>	<b>(2,505)</b>

Liabilities supported by real guarantees relate to the project financing of Prima Srl secured by pledges on the shares of the company, and the non-recourse borrowing of Frullo Energia Ambiente Srl, which is guaranteed by a mortgage and special privileges on the plant's assets.

Non-current liabilities due to third parties comprise bank borrowings due by Ecosesto and amounts owed by Prima to its third party shareholders, while the current portion consists of Ecosesto's bank overdraft and the balance owed by the Sicily project companies to the third party shareholders.

In order to hedge the interest rate risk on project financing, the subsidiary Prima Srl has entered into interest rate swap (IRS) contracts amounting to a total notional value of Euro 16,406 thousand, with the purpose of rendering variable rates fixed at conditions that are substantially in line with market rates. The fair value of these IRS contracts is negative Euro 589 thousand. Frullo Energia Ambiente Srl has taken out IRS contracts with a total notional value of Euro 23,683 thousand to hedge project financing, again with the purpose of rendering variable rates fixed at conditions that are substantially in line with market rates. The fair value of these IRS contracts is negative Euro 1,624 thousand.

Actelios group held the following IRS contracts at 30 June 2010:

Description of IRS <i>(Euro thousands)</i>	Contract start-date	Contract maturity date	Residual notional value	Fixed rate	Fair value
Frullo IRS Intesa	1/4/2009	28/6/2019	35,500	3.64%	(2,271)
Frullo IRS Unicredit	25/9/2002	29/12/2017	12,833	4.68%	(1,043)
Prima IRS Double Fixed	23/7/2004	31/12/2013	8,203	3.90%	(272)
Prima IRS Cancellable	23/7/2004	31/12/2013	8,203	4.32%	(317)

The values relating to the IRS contracts of Frullo disclosed in the above table represent the total values while the consolidated financial statements include only the proportional share of 49%.

### 14 Trade payables

Trade payables at 30 June 2010 compared to the previous year end may be analysed as follows:

	30.06.2010			31.12.2009			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
<i>(Euro thousands)</i>									
Trade payables	41,116		41,116	39,063		39,063	2,053		2,053
Amounts due to subsidiaries									
Amounts due to associates									
Amounts due to parent company	8,324		8,324	6,709		6,709	1,615		1,615
Amounts due to other group companies	2,924		2,924	2,841		2,841	83		83
<b>Total</b>	<b>52,364</b>		<b>52,364</b>	<b>48,613</b>		<b>48,613</b>	<b>3,751</b>		<b>3,751</b>

## 15 Other payables

Other payables at 30 June 2010 compared to 31 December 2009 are as follows:

<i>(Euro thousands)</i>	30.06.2010			31.12.2009			Change		
	Total	Non-current	Current	Total	Non-current	Current	Total	Non-current	Current
Trade payables	10,975		10,975	7,335		7,335	3,640		3,640
Amounts due to subsidiaries									
Amounts due to associates									
Amounts due to parent company	3,237		3,237	5,666		5,666	(2,429)		(2,429)
Amounts due to other group companies									
Accruals and deferred income	321		321	215		215	106		106
<b>Total</b>	<b>14,533</b>		<b>14,533</b>	<b>13,216</b>		<b>13,216</b>	<b>1,317</b>		<b>1,317</b>

Third party creditors may be detailed as follows:

<i>(Euro thousands)</i>	30.6.2010
Tax payables	3,510
Advances	640
Amount due to Solar Farm for acquisition of Notarpanaro plant	1,535
Environmental contribution	1,226
Other amounts due to employees	1,690
Holiday pay	390
Dividends to be distributed by Prima Srl	1,200
Social security payables	430
Withholding tax payable	95
Other	259
<b>Total</b>	<b>10,975</b>

## G Liabilities attributable to non-current assets held for sale

Liabilities attributable to non-current assets held for sale, which relate to the business of Powercrop SpA, may be analysed as follows:

<i>(Euro thousands)</i>	30.6.2010
Provisions for liabilities and charges	325
Trade payables	5,495
Other current payables	14
Current financial payables	1,500
<b>Total liabilities attributable to non-current assets held for sale</b>	<b>7,334</b>

## Commitments and contingencies

Guarantees issued at 30 June 2010 amounted to Euro 61,240 thousand. Guarantees relating to subsidiary undertakings principally consist of performance bonds to guarantee completion of work in progress and to participate in contract bids, for a total of Euro 52,259 thousand, guarantees given to the VAT authorities in relation to requests for repayment of VAT receivables for Euro 6,624 thousand and other guarantees of Euro 2,357 thousand.

Personal guarantees issued, which amount to Euro 50,632 thousand, comprise bank guarantees for Euro 43,042 thousand, guarantees issued to the tax authorities in respect of VAT for Euro 5,565 thousand and other guarantees of Euro 2,025 thousand.



## Other risks

With regard to the price adjustment of Euro 20 million relating to the investment in Elettroambiente SpA and the corresponding decrease in Goodwill and Other payables due to Italgest Energia SpA which were recorded in the 2009 financial statements, the Actelios group is exposed to a remote risk in respect of this amount with regard to the potential reinstatement of the contractual conditions on which the total acquisition price of Elettroambiente SpA was based, although this is considered improbable.

## Related party transactions

<i>(Euro thousands)</i>	Trade		Financial		Other	
	Receivables	Payables	Receivables	Payables	Receivables	Payables
<b>Parent company</b>						
Falck SpA	56	8,324	124,879	1,511	5,027	3,237
<b>Total parent company</b>	<b>56</b>	<b>8,324</b>	<b>124,879</b>	<b>1,511</b>	<b>5,027</b>	<b>3,237</b>
<b>Other group companies</b>						
Falck Renewables Italia Srl	28					
Falck Energy SpA		812				
Falck Renewables Italia Srl		1				
Riesfactoring SpA		2,110			381	
<b>Total other group companies</b>	<b>28</b>	<b>2,923</b>			<b>381</b>	
<b>Total</b>	<b>84</b>	<b>11,247</b>	<b>124,879</b>	<b>1,511</b>	<b>5,408</b>	<b>3,237</b>
<b>% incidence on balance sheet heading</b>	<b>0.4%</b>	<b>21.5%</b>	<b>96.4%</b>	<b>6.3%</b>	<b>36.4%</b>	<b>22.3%</b>

## Net financial position

<i>(Euro thousands)</i>	30.6.2010	31.12.2009	Change
Short-term third party financial liabilities (*)	(22,448)	(24,867)	2,419
Short-term group financial liabilities	(1,511)	(1,597)	86
Short-term third party financial receivables	4,627	4,972	(345)
Short-term group financial receivables	124,879	153,963	(29,084)
Other securities			
Cash and cash equivalents	18,989	20,709	(1,720)
<b>Short-term net financial position</b>	<b>124,536</b>	<b>153,180</b>	<b>(28,644)</b>
Medium/long-term third party financial liabilities (*)	(49,587)	(57,922)	8,335
Medium/long-term group financial liabilities			
Medium/long-term third party financial receivables			
Medium/long-term group financial receivables			
Other securities			
<b>Medium/long-term net financial position</b>	<b>(49,587)</b>	<b>(57,922)</b>	<b>8,335</b>
<b>Total net financial position</b>	<b>74,949</b>	<b>95,258</b>	<b>(20,309)</b>
<b>- of which non-recourse financing</b>	<b>(56,811)</b>	<b>(65,371)</b>	<b>8,560</b>

(\*) these comprise amounts due in respect of project financing and derivative financial instruments.

## 5.6.7 Income statement content and movements

### 16 Revenue

Revenue consisted of the following:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Revenue from sales of goods	26,692	30,818
Revenue from provision of services	16,574	17,477
<b>Total</b>	<b>43,266</b>	<b>48,295</b>

Revenue arising from the sale of goods, compared to the previous year, may be attributed to the following operating segments:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Sale of electrical energy	25,702	30,250
Sale of thermal energy	538	547
Sale of agricultural produce	452	21
<b>Total</b>	<b>26,692</b>	<b>30,818</b>

Revenue arising from the provision of services, compared to 2009, is attributable to the following operating segments:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Waste treatment and disposal	13,602	13,033
Operation and maintenance	2,044	1,797
Long-term contracts		1,364
Other	928	1,283
<b>Total</b>	<b>16,574</b>	<b>17,477</b>

Revenue is generated entirely in Italy.

### 17 Employee costs

Employee costs may be analysed as follows:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Cost of production employees	3,852	3,423
Cost of administrative staff	2,983	1,777
<b>Total</b>	<b>6,835</b>	<b>5,200</b>

Total employee costs analysed by nature of expense are as follows:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Wages and salaries	4,060	3,690
Social security costs	1,312	1,182
Staff leaving indemnity (TFR)	212	194
Other costs	1,251	134
<b>Total</b>	<b>6,835</b>	<b>5,200</b>

The average number of employees was as follows:

<i>(Number)</i>	30.6.2010	30.6.2009
Managers	14	16
White-collar staff	72	66
Blue-collar staff	62	59
<b>Total average number of employees</b>	<b>148</b>	<b>141</b>

## 18 Direct costs

Direct costs decreased by Euro 5,293 thousand compared to the first half of 2009, principally due to the lower biomass costs as the plant in Rende operated at reduced capacity in the first four months of the year following which it was closed in order to carry out the total renovation of the plant.

Direct costs compared to the first half of 2009 are illustrated in the table below:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Materials	3,385	7,765
Services	7,684	9,579
Other costs	4,433	3,521
Change in inventories	454	1,354
Charges to/(utilisation of) operating provisions	(74)	(28)
Amortisation and impairment of intangibles	203	179
Depreciation and impairment of property, plant and equipment	4,706	4,855
Employee costs capitalised on assets under construction	(247)	(1,388)
<b>Total</b>	<b>20,544</b>	<b>25,837</b>

## 19 Other income

Other income consisted of the following:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Income from operating activities	297	779
Income from non-operating activities	581	205
<b>Total</b>	<b>878</b>	<b>984</b>

Income from operating activities may be further detailed as follows:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Income from services attributable to non-controlling interest in companies consolidated applying the proportional method	285	341
Revenue grants	1	375
Other	11	63
<b>Total</b>	<b>297</b>	<b>779</b>

Income from non-operating activities may be further detailed as follows:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Income relating to other accounting periods	360	125
Other	221	80
<b>Total</b>	<b>581</b>	<b>205</b>

## 20 Administrative expenses

Administrative expenses decreased by Euro 335 thousand compared to the same period in 2009 and may be analysed as follows:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Consumables	216	168
Services	3,281	3,950
Other costs	873	519
Non-operating expenses	21	83
Amortisation and impairment of intangible assets	9	9
Depreciation and impairment of property, plant and eq.pt	23	35
Charges to/(utilisation of) provisions		(6)
<b>Total</b>	<b>4,423</b>	<b>4,758</b>

## 21 Finance costs - net

Finance income and costs may be analysed as follows:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Finance costs	(1,670)	(2,380)
Change in IRS fair value	(570)	(410)
Amortised cost of non-recourse loans	(322)	(399)
Finance income	1,132	1,544
Interest capitalised on assets under construction	32	115
<b>Total</b>	<b>(1,398)</b>	<b>(1,530)</b>

The fall in interest rates resulted in a contraction in both finance income and costs.

The fair value measurement of derivatives gave rise to a negative adjustment of Euro 570 thousand during the period.

Finance costs consisted of the following:

<i>(Euro thousands)</i>	Debenture loans	Bank loans	Others	Total
Payable to parent company				
Payable to others		2,181	381	2,562
<b>Total</b>		<b>2,181</b>	<b>381</b>	<b>2,562</b>

Finance income for the six months ended 30 June 2010 is illustrated in the table below:

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Interest and commission - parent company	892	1,240
Interest and commission - banks	92	304
Interest and commission - other	135	
Other	13	
<b>Total</b>	<b>1,132</b>	<b>1,544</b>

## 22 Investment income

This comprises dividends received from Riesfactoring SpA.

## 23 Income tax expense

<i>(Euro thousands)</i>	30.6.2010	30.6.2009
Current tax	4,007	5,504
Deferred tax (credit)	172	(229)
<b>Total</b>	<b>4,179</b>	<b>5,275</b>

Current taxes are based on the estimated taxable income for the period ended 30 June 2010. With regard to Prima Srl and Frullo Energia Ambiente Srl this calculation was made taking into account the additional IRES (corporation tax) surcharge.

## Related party transactions

<i>(Euro thousands)</i>	Revenue from sale of goods	Revenue from services	Other income	Direct costs	Admin. expenses	Finance costs	Finance income	Income from investments
<b>Parent company</b>								
Falck SpA			56		1,381	21	892	
<b>Total parent company</b>			<b>56</b>		<b>1,381</b>	<b>21</b>	<b>892</b>	
<b>Associates</b>								
Powercrop SpA					59			
<b>Total associates</b>					<b>59</b>			
<b>Other group companies</b>								
Falck Renewables Italia Srl			28		1			
Riesfactoring SpA					91			1
<b>Total other group companies</b>			<b>28</b>		<b>92</b>			<b>1</b>
<b>Total</b>			<b>84</b>		<b>1,532</b>	<b>21</b>	<b>892</b>	<b>1</b>
<b>% incidence on income statement heading</b>			<b>9.57%</b>		<b>34.64%</b>	<b>0.82%</b>	<b>78.87%</b>	<b>100.00%</b>

**Supplementary information  
to the condensed consolidated interim financial statements**

## 6.1 List of investments in subsidiaries and associates

### *Companies consolidated applying line-by-line method*

	Registered office	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Actelios SpA	Milan	Euro	67,680,000			
Abbiategrosso Bioenergia Srl	Sesto San Giovanni (Mi)	Euro	54,000		100.000	Actagri Srl
Actagri Srl	Sesto San Giovanni (Mi)	Euro	50,000	100.000		
Actelios Solar SpA	Sesto San Giovanni (Mi)	Euro	120,000	100.000		
Ambiente 2000 Srl	Milan	Euro	103,000	60.000		
Ecocentro Soluzioni Ambientali Srl (*)	Sesto San Giovanni (Mi)	Euro	10,000	100.000		
Ecosesto SpA	Rende (Cosenza)	Euro	5,120,000	100.000		
Esposito Servizi Ecologici Srl (*)	Sesto San Giovanni (Mi)	Euro	10,000	100.000		
Elettroambiente SpA	Sesto San Giovanni (Mi)	Euro	245,350	100.000		
Platani Energia Ambiente ScpA	Palermo	Euro	3,364,264		85.730	Elettroambiente SpA
Prima Srl	Sesto San Giovanni (Mi)	Euro	5,430,000	85.000		
Solar Mesagne Srl	Sesto San Giovanni (Mi)	Euro	50,000		100.000	Actelios Solar SpA
Solar Rende Srl	Rende (Cosenza)	Euro	10,000		100.000	Ecosesto SpA
Tifeo Energia Ambiente ScpA	Palermo	Euro	4,679,829		95.620	Elettroambiente SpA

### *Companies consolidated applying proportional method*

	Registered office	Currency	Share capital	% Direct holding	Indirect holding	
					%	Subsidiary
Frunlo Energia Ambiente Srl	Bologna	Euro	17,139,100	49.000		
Palermo Energia Ambiente ScpA	Palermo	Euro	120,000	23.272		
Powercrop SpA (**)	Sesto San Giovanni (Mi)	Euro	4,000,000	50.000		

(\*) Following the acquisition in June of Ecocentro Soluzioni Ambientali Srl and Esposito Servizi Ecologici Srl, one month's results of these companies have been included in the consolidated income statement for the six-months ended 30 June 2010. The total financial position of the above companies has been included in the group's consolidated financial position at 30 June 2010.

(\*\*) Following acceptance on 23 June 2010 of Seci Energia SpA's offer to acquire the remaining 50% of the share capital of Powercrop SpA and the sale that took place on 30 July 2010, this transaction falls within the scope of IFRS 5 for the purpose of preparing the Actelios condensed consolidated interim financial statements.

**Certification on the half-year financial report pursuant  
to article 81-ter of Consob Regulation 11971 of 14 May 1999  
and ensuing amendments**



***Certification on the half-year financial report pursuant to article 81-ter of Consob Regulation 11971  
of 14 May 1999 and ensuing amendments***

1. We, the undersigned Piero Manzoni, in my capacity as "Chief Executive Officer", and Paolo Rundeddu, in my capacity as "Corporate Accounting Documents Officer", of Actelios SpA, taking into account the provisions of Article 154-bis, Sections 3 and 4, of Legislative Decree No. 58 of February 24, 1998, certify that the administrative and accounting procedures applied to prepare the half-year financial report for the period from January 1, 2010 to June 30, 2010 :

- were adequate in light of the Company's characteristics, and
- were properly applied.



2. We further certify that:

2.1 the condensed half-year financial report:

- a) was prepared in accordance with applicable international accounting principles (IAS/IFRSs), recognized by the European Union pursuant to Regulation (CE) No. 1606/2002 of the European Parliament and Council of July 19, 2002;
- b) is consistent with the data in the accounting records and other corporate documents;
- c) provides a truthful and fair presentation of the balance sheet, income statement and financial position of the Issuer and of all of the companies included in the scope of consolidation;

2.2 the directors' report on the half-year includes a reliable analysis of the Group performance and results from operations in the first six months of the year and the impact on the condensed consolidated financial statements, together with a description of the main risks and uncertainties for the second half-year.

The half-year financial report also presents accurate disclosures of related party transactions.

Chief Executive Officer  
  
Corporate Accounting  
Document Officer  


Milan, 27 August 2010

**Independent auditors' report**

**AUDITORS' REPORT ON THE REVIEW OF THE CONDENSED  
CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS  
ENDED 30 JUNE 2010**

To the shareholders of  
Actelios SpA

- 1 We have reviewed the condensed consolidated interim financial statements of Actelios Group as of 30 June 2010 and for the six months then ended, comprising the consolidated balance sheet, the consolidated income statement and statement of comprehensive income, the consolidated statements of changes in shareholders' equity and cash flows and the related explanatory notes. The directors of Actelios SpA are responsible for the preparation of the condensed consolidated interim financial statements in accordance with the international accounting standard applicable to interim financial reporting (IAS 34), as adopted by the European Union. Our responsibility is to issue this report based on our review.
- 2 Our work was conducted in accordance with the criteria for a review recommended by the Italian Stock Exchange Commission (CONSOB) with Resolution no. 10867 of 31 July 1997. The review consisted principally of inquiries of company personnel about the information reported in the condensed consolidated interim financial statements and about the consistency of the accounting principles used therein as well as the application of analytical review procedures on the amounts contained in the above mentioned condensed consolidated interim financial statements. The review excluded certain auditing procedures such as compliance testing and verification and validation tests of the assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with generally accepted auditing standards. Accordingly, unlike an audit on the annual consolidated financial statements, we do not express an audit opinion on the condensed consolidated interim financial statements.

For the amounts of the consolidated financial statements of the prior year and the condensed consolidated interim financial statements of the prior year presented for comparative purposes, reference is made to our reports dated 8 April 2010 and 1 August 2009, respectively.


- 3 Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements of Actelios Group as of 30 June 2010 have not been prepared, in all material

respects, in accordance with the international accounting standard applicable to interim financial reporting (IAS 34), as adopted by the European Union.

- 4 Without qualifying our opinion, we draw your attention to the information disclosed by the directors in the interim report on operations and in the notes to the condensed consolidated interim financial statements about the activities related to the Sicily projects. The directors illustrate at length the events that have occurred in 2010 with regard to the 'Sicily litigation' that have changed, compared with the situation of 2009, the operating environment in which the entities owning the projects in Sicily must operate, with reference to the possible outcome of the proceedings brought by the entities against ARRA (the Regional Agency for Waste and Water) and the insurers Zurich, due to the uncertainty that had arisen as a result of the unilateral termination of the Conventions. The directors, relying on an independent legal opinion obtained by the managing director of the project companies, which states that *«with regard to the financial claims raised by the companies in the summons, in substance the situation has not changed as a result of the modification of the original petition for an order to comply relating to the Agreement of 28 April 2009 into a petition for termination due to the actions and default of ARRA»*, have decided, based on a specific impairment test, not to post any impairment losses against the assets involved, specifically the costs capitalised in Property, plant and equipment and the Goodwill recognised in connection with the projects.

Milan, 27 August 2010

PricewaterhouseCoopers SpA



Marco Sala  
(Partner)

*This report has been translated into the English language solely for the convenience of international readers.*